Mental Health America of Greater Houston, Inc. and MHA of Greater Houston Foundation, Inc.

Consolidated Financial Statements
and Independent Auditors' Report
for the year ended December 31, 2018

Mental Health America of Greater Houston, Inc. and MHA of Greater Houston Foundation, Inc.

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Blazek & Vetterling
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To the Board of Directors of
Mental Health America of Greater Houston, Inc.:

We have audited the accompanying financial statements of Mental Health America of Greater Houston, Inc. and MHA of Greater Houston Foundation, Inc., which comprise the consolidated statement of financial position as of December 31, 2018 and the related consolidated statements of activities, of cash flows, and of functional expenses for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform our audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Mental Health America of Greater Houston, Inc. and MHA of Greater Houston Foundation, Inc. as of December 31, 2018 and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Adoption of New Accounting Standard and Reclassification of Net Assets

As discussed in Note 2 to the financial statements, Mental Health America of Greater Houston, Inc. and MHA of Greater Houston Foundation, Inc. adopted the amendments of Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities,* as of and for the year ended December 31, 2018 and reclassified previously reported net assets. Our opinion is not modified with respect to this matter.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. Information in the supplemental consolidating statement of financial position as of December 31, 2018 and supplemental consolidating statement of activities for the year ended December 31, 2018 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 our 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.

Blazek & Vetterling

March 27, 2019

Mental Health America of Greater Houston, Inc. and
MHA of Greater Houston Foundation, Inc.

Consolidated Statement of Financial Position as of December 31, 2018

ASSETS

Cash	$ 1,605,874
Accounts receivable	135,644
Accrued interest receivable	8,342
Contributions receivable *(Note 4)*	341,382
Investments *(Note 6)*	5,503,382
Other assets	21,415
Property and equipment, net *(Note 7)*	120,872
TOTAL ASSETS	$ 7,736,911

LIABILITIES AND NET ASSETS

Liabilities:	
Accounts payable and accrued expenses	$ 197,794
Construction payable	84,701
Deferred revenue	50,000
Contract advance	8,500
Total liabilities	340,995
Net assets:	
Without donor restrictions *(Note 8)*	1,378,590
With donor restrictions *(Note 9)*	6,017,326
Total net assets	7,395,916
TOTAL LIABILITIES AND NET ASSETS	$ 7,736,911

See accompanying notes to consolidated financial statements.

Mental Health America of Greater Houston, Inc. and MHA of Greater Houston Foundation, Inc.

Consolidated Statement of Activities for the year ended December 31, 2018

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions *(Note 4)*	$ 148,872	$ 2,452,441	$ 2,601,313
United Way contributions		136,020	136,020
Special events	269,450		269,450
Direct donor benefit costs of special events	(23,879)		(23,879)
Government awards	171,751		171,751
Program service fees	151,771		151,771
Net investment return	42,182	(278,749)	(236,567)
Other revenue	9,983		9,983
Total revenue	770,130	2,309,712	3,079,842
Net assets released from restrictions:			
Program expenditures	2,261,207	(2,261,207)	
Expiration of time restriction	50,000	(50,000)	
Total	3,081,337	(1,495)	3,079,842
EXPENSES:			
Program services	2,058,765		2,058,765
Management and general	471,261		471,261
Fundraising	267,983		267,983
Total expenses	2,798,009		2,798,009
CHANGES IN NET ASSETS	283,328	(1,495)	281,833
Net assets, beginning of year – restated *(Note 2)*	1,095,262	6,018,821	7,114,083
Net assets, end of year	$ 1,378,590	$ 6,017,326	$ 7,395,916

See accompanying notes to consolidated financial statements.

Mental Health America of Greater Houston, Inc. and
MHA of Greater Houston Foundation, Inc.

Consolidated Statement of Cash Flows for the year ended December 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES:	
Changes in net assets	$ 281,833
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation	13,369
Net realized and unrealized loss on investments	376,672
Changes in operating assets and liabilities:	
Accounts receivable	(6,395)
Accrued interest receivable	(3,279)
Contributions receivable	53,123
Other assets	(20,223)
Accounts payable and accrued expenses	(47,639)
Contract advance	50,000
Net cash provided by operating activities	697,461
CASH FLOWS FROM INVESTING ACTIVITIES:	
Proceeds from sale of investments	1,979,848
Purchases of investments	(2,002,687)
Net change in cash held as investments	(19,810)
Net change in certificates of deposit	(545,992)
Purchases of furniture and equipment	(12,203)
Net cash used by investing activities	(600,844)
NET CHANGE IN CASH	96,617
Cash, beginning of year	1,509,257
Cash, end of year	$ 1,605,874

See accompanying notes to consolidated financial statements.

Mental Health America of Greater Houston, Inc. and
MHA of Greater Houston Foundation, Inc.

Consolidated Statement of Functional Expenses for the year ended December 31, 2018

EXPENSES	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Salaries	$ 926,515	$ 295,181	$ 166,752	$ 1,388,448
Employee benefits	139,676	44,500	25,139	209,315
Payroll taxes and related costs	71,926	22,915	12,945	107,786
Total salaries and related costs	1,138,117	362,596	204,836	1,705,549
Professional fees and contract services	236,093	55,899	27,963	319,955
Subrecipient costs	178,753			178,753
Occupancy	114,351	28,164	13,573	156,088
Grants	150,000			150,000
Printing and publications	96,731	216	3,004	99,951
Conferences and meetings	45,653	2,069	777	48,499
Transportation	32,335	3,319	76	35,730
Rental and maintenance of equipment	21,176	3,269	8,247	32,692
Supplies	13,105	1,657	1,188	15,950
Depreciation	9,794	2,412	1,163	13,369
Telephone	5,980	1,222	631	7,833
Membership dues	3,915		1,402	5,317
Postage and shipping	421	208	3,463	4,092
Other	12,341	10,230	1,660	24,231
Total expenses	$ 2,058,765	$ 471,261	$ 267,983	2,798,009
Direct donor benefit costs of special events				23,879
Total				$ 2,821,888

See accompanying notes to consolidated financial statements.

NOTE 1 – ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES

Organization – Mental Health America of Greater Houston, Inc. (MHA of Greater Houston) is a Texas nonprofit, tax-exempt corporation formed to enhance the mental health of all Houstonians and improve the lives of those with mental illness. MHA of Greater Houston accomplishes this through collaborations, education, outreach, and advocacy.

MHA of Greater Houston Foundation, Inc. (the Foundation) is a Texas nonprofit, tax-exempt corporation formed to provide support for the programs of MHA of Greater Houston. The sole member of the Foundation is MHA of Greater Houston.

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

Basis of consolidation – The consolidated financial statements include the assets, liabilities, net assets and activities of MHA of Greater Houston and the Foundation (collectively MHA). All balances and transactions between the consolidated entities have been eliminated.

Cash – Bank deposits exceed the federally insured limit per depositor per institution. For the purposes of the statement of cash flows, MHA considers all highly liquid investments available for current use with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents held for investment purposes are grouped with investments and are excluded from cash and cash equivalents for purposes of the statement of cash flows.

Property and equipment is reported at cost. Depreciation is recognized on a straight-line basis over estimated useful lives of 3 to 5 years. Expenditures greater than $250, with a useful life greater than one year, are capitalized.

Contributions receivable that are expected to be collected within one year are reported at net realizable value. Amounts expected to be collected in more than one year are discounted, if material, to estimate the present value of future cash flows.

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.

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

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

- Donor-restricted endowment earnings are released when those earnings are appropriated in accordance with spending policies and are used for the stipulated purpose.

Contributions are recognized as revenue at estimated 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 promises to give are recognized in contribution revenue when the conditions are substantially met.

Non-cash contributions – Donated materials and use of facilities are recognized at estimated 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.

Government award revenue is recognized as the services are provided in agreement with the performance requirements in the contract. Amounts received in advance are reported as contract advances until earned.

Program service fees are recognized in the period in which services are provided.

Functional allocation of expenses – Expenses are reported by their functional classification as program services or supporting activities. 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 one or more program or supporting activities are allocated among the activities benefitted. Salaries and related costs are allocated on the basis of estimated time and effort expended. Occupancy, maintenance, and other costs are directly charged when specifically related to a function and allocated on the basis of employee head count when attributable to one or more program or supporting activities.

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

Recent financial accounting pronouncements – In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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. MHA plans to adopt this ASU for fiscal year ending December 31, 2020. Management has not yet determined the impact adoption of this ASU will have on the financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this ASU clarify and improve current guidance about whether a transfer of assets (or the reduction, settlement, or cancellation of liabilities) is a contribution or an exchange transaction and provide additional guidance on determining whether a contribution is conditional or unconditional. This ASU could impact the timing of revenue recognition and the financial statement disclosures related to such transactions. MHA is required to apply the amendments in its fiscal year 2019 financial statements. The amendments should be applied on a modified prospective basis, but retrospective application also is permitted. Management has not determined the impact adoption of this ASU will have on the financial statements.

In May 2014, the FASB issued 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. MHA is required to adopt this ASU for fiscal year 2019 using an appropriate retrospective method. MHA has not yet determined the impact of adopting this ASU on its financial statements.

NOTE 2 – ADOPTION OF ACCOUNTING STANDARDS UPDATE 2016-14 AND RECLASSIFICATION OF PREVIOUSLY REPORTED NET ASSETS

MHA adopted the amendments of ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities,* as of and for the year ended December 31, 2018. Adoption of this ASU resulted in reclassification of previously reported activities and net assets to conform to the 2018 presentation but had no impact on total net assets or total changes in net assets for 2017. Additionally, MHA discovered $331,220 of restricted net assets had been misclassified as unrestricted in its financial statements as of and for the year ended December 31, 2017. As of January 1, 2018, the Foundation recorded a prior period adjustment to reclassify $331,220 from *net assets without donor restrictions* to *net assets with donor restrictions*. There was no change in total net assets at December 31, 2017 as a result of the reclassification.

NOTE 3 – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2018 comprise the following:

Financial assets at December 31, 2018:	
Cash	$ 1,605,874
Accounts receivable	135,644
Accrued interest receivable	8,342
Contributions receivable	341,382
Operating investments	1,194,123
Endowment investments	4,309,259
Total financial assets	7,594,624
Less financial assets not available for general expenditure:	
Donor-restricted endowment investments not approved for use in coming year	(4,168,746)
Donor-restricted contributions not expected to be used in coming year	(288,226)
Board-designated funds for program activities not approved for use in coming year	(378,365)
Board-designated funds for capital not approved for use in coming year	(74,064)
Total financial assets available for general expenditure within 12 months	$ 2,685,223

For purposes of analyzing resources available to meet general expenditures over a 12-month period, MHA considers all expenditures related to its ongoing activities of collaborations, education, outreach and advocacy on mental health, as well as the conduct of services undertaken to support those activities, to be general expenditures.

MHA receives significant contributions restricted by donors and government awards for specific programs which are ongoing, major, and central to its annual operations and considers these funds to be available to meet its cash needs for general expenditures. MHA's governing board has designated a portion of its unrestricted resources as capital and program activities reserves. These funds are invested but remain available and may be spent at the discretion of the Board. Additionally, included in financial assets available for general expenditures is the projected endowment appropriation for fiscal year 2019.

NOTE 4 – CONTRIBUTIONS RECEIVABLE

Contributions receivable are expected to be collected within one year. Approximately 92% of contributions receivable at December 31, 2018 are due from four donors. Approximately 57% of contributions were received from four donors in fiscal year 2018.

NOTE 5 – CONDITIONAL CONTRIBUTION

In 2018, MHA received a conditional contribution from a foundation in the amount of $1,080,000 to advance best practice in integrated behavioral health throughout the Greater Houston area. Payments are contingent on meeting certain milestones and program outcomes as determined by the foundation. MHA recognized $340,000 of contribution revenue related to the conditional contribution in 2018, as the conditions had been met. At December 31, 2018, $740,000 had not been recognized as the conditions had not been met.

In 2018, MHA received a conditional contribution from a foundation in the amount of $214,000 for the purpose to provide programs/services to individuals and communities affected by Hurricane Harvey. Payments are contingent on achievement of program outcomes. MHA recognized $133,380 of contribution revenue related to the conditional contribution in 2018, as the conditions had been met. At December 31, 2018, $70,620 had not been recognized as the conditions had not been met.

NOTE 6 – 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 December 31, 2018 are as follows:

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Investments:				
Common stocks:				
Technology and communications	$ 706,887			$ 706,887
Consumer goods and services	489,614			489,614
Healthcare	417,994			417,994
Financial industry	412,121			412,121
Industrial goods and services	269,944			269,944
Energy and related industries	180,251			180,251
Real estate	115,187			115,187
Utilities	94,473			94,473
Materials	72,815			72,815
Other	21,284			21,284
Negotiable certificates of deposit		$ 1,194,123		1,194,123
U. S. Treasury notes	560,293			560,293
Exchange-traded funds	366,776			366,776
Corporate bonds		184,717		184,717
Energy limited partnership mutual fund	87,873			87,873
Collateralized mortgage obligations		65,586		65,586
Equity mutual funds	54,839			54,839
Preferred stocks	22,762			22,762
Total assets measured at fair value	$ 3,873,113	$ 1,444,426	$ 0	5,317,539
Cash				185,843
Total investments				$ 5,503,382

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

- *Common stocks, exchange-traded funds,* and *preferred stocks* are valued at the closing price reported on the active market on which the individual securities are traded.
- *Negotiable certificates of deposit, corporate bonds* and *collateralized mortgage obligations* are valued using prices obtained from independent quotation bureaus that use computerized valuation formulas which may include market-corroborated inputs for credit risk factors, interest rate and yield curves and broker quotes to calculate fair values.
- *U. S. Treasury notes* are valued using prices obtained from active markets and inter-dealer brokers on a daily basis.
- *Mutual funds* are valued at the reported net asset value.

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

NOTE 7 – PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2018 is comprised of the following:

Office furniture and equipment	$ 156,671
Leasehold improvements	84,701
Artwork	12,850
Total property and equipment	254,222
Accumulated depreciation	(133,350)
Property and equipment, net	$ 120,872

NOTE 8 – NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions at December 31, 2018 are comprised of the following:

Undesignated	$ 805,289
Board-designated reserves:	
Program activities	378,365
Capital	74,064
Property and equipment, net	120,872
Total net assets without donor restrictions	$ 1,378,590

MHA's Board of Directors' policy for board-designated reserves stipulates that the Board of Directors has the authority to designate the use of *net assets without donor restrictions* and approve the use of those designated net assets.

NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2018 are restricted as follows:

Subject to expenditure for specified purpose:	
Program activities	$ 1,708,580
Endowments subject to spending policy and appropriation:	
Swalm Center for Community Action	3,623,948
Maureen Hackett Endowed Fund for Public Policy	379,672
General endowment	305,126
Total endowments	4,308,746
Total net assets with donor restrictions	$ 6,017,326

NOTE 10 – ENDOWMENT FUNDS

The Foundation's endowment consists of three endowment funds established for the purposes of community action, public policy, and general operating support. The Board of Trustees of the Foundation has interpreted the Texas Uniform Prudent Management of Institutional Funds Act (TUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies the original value of gifts donated to the perpetual endowment as *net assets with donor restrictions* not subject to appropriation or expenditure. The remaining portion of the donor-restricted endowment funds that are not classified as *net assets with donor restrictions* not subject to appropriation or expenditure are classified as *net assets with donor restrictions* subject to spending policy and appropriation until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by TUPMIFA. In accordance with TUPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of MHA and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of MHA
- The investment policies of the Foundation

The Foundation assets include donor-restricted funds that the Foundation must hold in perpetuity, as well as unrestricted funds of the Foundation. The Board of Trustees of the Foundation is charged with preserving the corpus of the endowment, growing the total value of the endowment through investments and gifts, and financially supporting the mission and activities of MHA.

Spending Policy

The Foundation has adopted a policy of appropriating for distribution each year 4%-5% of the lessor of 1) a rolling 36-month average unit of values of the endowment fund or 2) the unit value of the endowment fund at December 31. The Board of Trustees of the Foundation will review this policy annually. Any distributions from the corpus must be approved by two-thirds of the members of the Board of Trustees and the member.

Investment Policy

Endowment funds are maintained in investment accounts which are managed by the Foundation's Board of Trustees with oversight provided by independent investment managers. Investment decisions follow guidance provided in an investment policy approved by the Board of Trustees of the Foundation. The investment policies attempt to provide a predictable stream of funding to programs supported while seeking to maintain the purchasing power of the endowment assets. The Foundation expects its endowment funds, over time, to provide an average rate-of-return of approximately 4-6 percentage points. To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places an emphasis on a blend of equity-based investments and fixed-income investments to achieve its long-term return objectives within prudent risk constraints.

Changes in endowment net assets are as follows:

	WITH DONOR RESTRICTIONS		
	ACCUMULATED NET INVESTMENT RETURN	REQUIRED TO BE MAINTAINED IN PERPETUITY	TOTAL
Endowment net assets, December 31, 2017	$ 1,203,007	$ 3,438,514	$ 4,641,521
Net investment return	(278,749)		(278,749)
Distributions	(54,026)		(54,026)
Endowment net assets, December 31, 2018	$ 870,232	$ 3,438,514	$ 4,308,746

Endowment net asset composition as of December 31, 2018:

	WITH DONOR RESTRICTIONS
Donor-restricted endowment funds:	
Original donor-restricted gift and amounts required to be maintained in perpetuity	$ 3,438,514
Accumulated net investment return	870,232
Endowment net assets	$ 4,308,746

NOTE 11 – RETIREMENT PLAN

MHA maintains a contributory benefit plan that covers substantially all of its full-time employees. MHA contributes 6% of a participant's base salary to the plan and also matches the first 4% of additional voluntary employee contributions to the plan. Contributions to the plan were $89,601 in 2018.

NOTE 12 – LEASE AGREEMENTS

MHA has long-term leases for office space and equipment from unrelated parties under operating lease agreements. Lease expense was $154,174 in 2018. Future lease commitments at December 31, 2018 are as follows:

2019	$ 167,422
2020	172,152
2021	177,014
2022	182,063
2023	107,945
Total	$ 806,596

NOTE 13 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 27, 2019, 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.

Mental Health America of Greater Houston, Inc. and
MHA of Greater Houston Foundation, Inc.

Supplemental Consolidating Statement of Financial Position as of December 31, 2018

	MHA OF GREATER HOUSTON	FOUNDATION	TOTAL
ASSETS			
Cash	$ 1,602,045	$ 3,829	$ 1,605,874
Accounts receivable	135,644		135,644
Accrued interest receivable	5,296	3,046	8,342
Contributions receivable	341,382		341,382
Investments	1,194,123	4,309,259	5,503,382
Other assets	21,415		21,415
Property and equipment, net	120,872		120,872
TOTAL ASSETS	$ 3,420,777	$ 4,316,134	$ 7,736,911
LIABILITIES AND NET ASSETS			
Liabilities:			
Accounts payable and accrued expenses	$ 190,406	$ 7,388	$ 197,794
Construction payable	84,701		84,701
Deferred revenue	50,000		50,000
Contract advance	8,500		8,500
Total liabilities	333,607	7,388	340,995
Net assets:			
Without donor restrictions	1,378,590		1,378,590
With donor restrictions	1,708,580	4,308,746	6,017,326
Total net assets	3,087,170	4,308,746	7,395,916
TOTAL LIABILITIES AND NET ASSETS	$ 3,420,777	$ 4,316,134	$ 7,736,911

Mental Health America of Greater Houston, Inc. and
MHA of Greater Houston Foundation, Inc.

Supplemental Consolidating Statement of Activities for the year ended December 31, 2018

	MHA OF GREATER HOUSTON	FOUNDATION	ELIMINATIONS	TOTAL
REVENUE:				
Contributions	$ 2,648,813		$ (47,500)	$ 2,601,313
United Way contributions	136,020			136,020
Special events	269,450			269,450
Direct donor benefit costs of special events	(23,879)			(23,879)
Government awards	171,751			171,751
Program service fees	151,771			151,771
Net investment return	42,182	$ (278,749)		(236,567)
Other revenue	9,983			9,983
Total revenue	3,406,091	(278,749)	(47,500)	3,079,842
EXPENSES:				
Program services	2,058,765	47,500	(47,500)	2,058,765
Management and general	464,735	6,526		471,261
Fundraising	267,983			267,983
Total expenses	2,791,483	54,026	(47,500)	2,798,009
CHANGES IN NET ASSETS	614,608	(332,775)	0	281,833
Net assets, beginning of year	2,472,562	4,641,521		7,114,083
Net assets, end of year	$ 3,087,170	$ 4,308,746	$ 0	$ 7,395,916