

**The Council on Recovery and
The Foundation for The Council on Recovery**

Consolidated Financial Statements
and Independent Auditors' Report
for the years ended August 31, 2019 and 2018

The Council on Recovery and The Foundation for The Council on Recovery

Table of Contents

	Page
Independent Auditors' Report	1
Financial Statements:	
Consolidated Statements of Financial Position as of August 31, 2019 and 2018	2
Consolidated Statement of Activities for the year ended August 31, 2019	3
Consolidated Statement of Activities for the year ended August 31, 2018	4
Consolidated Statement of Functional Expenses for the year ended August 31, 2019	5
Consolidated Statement of Functional Expenses for the year ended August 31, 2018	6
Consolidated Statements of Cash Flows for the years ended August 31, 2019 and 2018	7
Notes to Consolidated Financial Statements for the years ended August 31, 2019 and 2018	8

Independent Auditors' Report

To the Board of Trustees of
The Council on Recovery:

We have audited the accompanying financial statements of The Council on Recovery and The Foundation for The Council on Recovery, which comprise the consolidated statements of financial position as of August 31, 2019 and 2018 and the related consolidated statements of activities, of functional expenses, and of cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

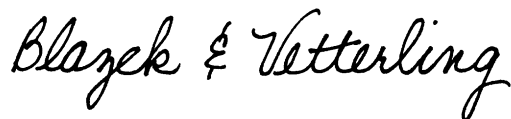
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform our audits to obtain reasonable assurance about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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Council on Recovery and The Foundation for The Council on Recovery as of August 31, 2019 and 2018 and the changes in their net assets and their cash flows for the years ended in accordance with accounting principles generally accepted in the United States of America.



January 22, 2020

The Council on Recovery and The Foundation for The Council on Recovery

Consolidated Statements of Financial Position as of August 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and cash equivalents (<i>Note 4</i>)	\$ 1,613,219	\$ 1,727,629
Government contracts receivable	314,414	365,756
Program service fees and other receivables, net	75,034	73,749
Prepaid expenses and other assets	149,754	150,561
Contributions receivable, net (<i>Note 5</i>)	2,203,252	2,621,304
Property and equipment, net (<i>Note 6</i>)	<u>9,745,620</u>	<u>9,898,488</u>
TOTAL ASSETS	<u>\$ 14,101,293</u>	<u>\$ 14,837,487</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 449,802	\$ 292,847
Deferred revenue:		
Special events	324,811	282,801
Program service fees	82,100	106,530
Note payable (<i>Note 7</i>)	<u> </u>	<u>47,002</u>
Total liabilities	<u>856,713</u>	<u>729,180</u>
Net assets:		
Without donor restrictions	9,882,447	10,809,787
With donor restrictions (<i>Note 8</i>)	<u>3,362,133</u>	<u>3,298,520</u>
Total net assets	<u>13,244,580</u>	<u>14,108,307</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 14,101,293</u>	<u>\$ 14,837,487</u>

See accompanying notes to consolidated financial statements.

The Council on Recovery and The Foundation for The Council on Recovery

Consolidated Statement of Activities for the year ended August 31, 2019

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>
REVENUE:			
Government grants and fees <i>(Note 9)</i>	\$ 4,195,603		\$ 4,195,603
Contributions:			
United Way		\$ 431,923	431,923
Other	577,456	1,787,055	2,364,511
Special events	899,044		899,044
Cost of direct donor benefits at special events	(96,300)		(96,300)
Program service fees, net	966,058		966,058
Building rental	137,640		137,640
Other income	<u>41,122</u>		<u>41,122</u>
Total revenue	6,720,623	2,218,978	8,939,601
Net assets released from restrictions:			
Expenditures for program purposes	<u>2,155,365</u>	<u>(2,155,365)</u>	
Total	<u>8,875,988</u>	<u>63,613</u>	<u>8,939,601</u>
EXPENSES:			
Program services:			
Risk reduction services	4,278,109		4,278,109
Treatment and recovery services	<u>3,147,628</u>		<u>3,147,628</u>
Total program services	<u>7,425,737</u>		<u>7,425,737</u>
Supporting services:			
Management and general	1,612,611		1,612,611
Fundraising	<u>764,980</u>		<u>764,980</u>
Total supporting services	<u>2,377,591</u>		<u>2,377,591</u>
Total expenses	<u>9,803,328</u>		<u>9,803,328</u>
CHANGES IN NET ASSETS	(927,340)	63,613	(863,727)
Net assets, beginning of year	<u>10,809,787</u>	<u>3,298,520</u>	<u>14,108,307</u>
Net assets, end of year	<u>\$ 9,882,447</u>	<u>\$ 3,362,133</u>	<u>\$ 13,244,580</u>

See accompanying notes to consolidated financial statements.

The Council on Recovery and The Foundation for The Council on Recovery

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

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>
REVENUE:			
Government grants and fees <i>(Note 9)</i>	\$ 4,432,172		\$ 4,432,172
Contributions:			
United Way		\$ 454,657	454,657
Other	600,717	3,631,181	4,231,898
Special events	1,078,013		1,078,013
Cost of direct donor benefits at special events	(98,915)		(98,915)
Program service fees, net	878,945		878,945
Building rental	140,828		140,828
Other income	<u>73,588</u>		<u>73,588</u>
Total revenue	7,105,348	4,085,838	11,191,186
Net assets released from restrictions:			
Expenditures for program purposes	<u>2,448,933</u>	<u>(2,448,933)</u>	
Total	<u>9,554,281</u>	<u>1,636,905</u>	<u>11,191,186</u>
EXPENSES:			
Program services:			
Risk reduction services	4,371,045		4,371,045
Treatment and recovery services	<u>3,302,280</u>		<u>3,302,280</u>
Total program services	<u>7,673,325</u>		<u>7,673,325</u>
Supporting services:			
Management and general	1,495,198		1,495,198
Fundraising	<u>701,267</u>		<u>701,267</u>
Total supporting services	<u>2,196,465</u>		<u>2,196,465</u>
Total expenses	<u>9,869,790</u>		<u>9,869,790</u>
CHANGES IN NET ASSETS	(315,509)	1,636,905	1,321,396
Net assets, beginning of year <i>(Note 2)</i>	<u>11,125,296</u>	<u>1,661,615</u>	<u>12,786,911</u>
Net assets, end of year	<u>\$ 10,809,787</u>	<u>\$ 3,298,520</u>	<u>\$ 14,108,307</u>

See accompanying notes to consolidated financial statements.

The Council on Recovery and The Foundation for The Council on Recovery

Consolidated Statement of Functional Expenses for the year ended August 31, 2019

	PROGRAM SERVICES		SUPPORTING SERVICES		TOTAL
	RISK REDUCTION SERVICES	TREATMENT AND RECOVERY SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	
Salaries	\$ 2,421,855	\$ 2,131,128	\$ 1,049,249	\$ 384,116	\$ 5,986,348
Benefits and payroll taxes	<u>665,951</u>	<u>526,558</u>	<u>176,100</u>	<u>51,109</u>	<u>1,419,718</u>
Total salaries and related expenses	3,087,806	2,657,686	1,225,349	435,225	7,406,066
Professional fees	345,839	56,596	185,872	211,616	799,923
Depreciation	226,550	111,422	24,070	6,847	368,889
Occupancy	198,821	107,839	35,811	9,784	352,255
Supplies	64,095	40,360	33,743	50,706	188,904
Software licensing and maintenance	42,727	29,980	29,573	19,425	121,705
Communications	46,841	33,683	13,704	3,969	98,197
Travel	55,022	21,138	9,512	3,747	89,419
Participant activities and incentives	66,184	14,908			81,092
Insurance	25,459	19,461	18,580	2,053	65,553
Equipment rental and maintenance	26,666	11,540	11,419	992	50,617
Training – conferences and workshops	13,004	13,217	3,242	4,411	33,874
Bad debt expense	11,863	15,553			27,416
Promotions and advertising	15,362	1,800	8,037	549	25,748
Credit card processing fees	3,784	9,427		9,814	23,025
Postage and shipping	604	349	167	5,748	6,868
Interest	1,227	1,693	1,658	13	4,591
Dues and license fees	267	219	690	3	1,179
Other	<u>45,988</u>	<u>757</u>	<u>11,184</u>	<u>78</u>	<u>58,007</u>
Total expenses	<u>\$ 4,278,109</u>	<u>\$ 3,147,628</u>	<u>\$ 1,612,611</u>	<u>\$ 764,980</u>	9,803,328
Cost of direct donor benefits at special events					<u>96,300</u>
Total					<u>\$ 9,899,628</u>

See accompanying notes to consolidated financial statements.

The Council on Recovery and The Foundation for The Council on Recovery

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

	PROGRAM SERVICES		SUPPORTING SERVICES		TOTAL
	RISK REDUCTION SERVICES	TREATMENT AND RECOVERY SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	
Salaries	\$ 2,402,313	\$ 2,149,995	\$ 979,285	\$ 356,309	\$ 5,887,902
Benefits and payroll taxes	<u>668,779</u>	<u>567,518</u>	<u>169,598</u>	<u>55,027</u>	<u>1,460,922</u>
Total salaries and related expenses	3,071,092	2,717,513	1,148,883	411,336	7,348,824
Professional fees	432,051	77,767	167,706	180,290	857,814
Depreciation	230,891	106,919	23,521	7,558	368,889
Occupancy	211,220	112,151	34,314	9,638	367,323
Supplies	91,753	60,230	33,625	48,519	234,127
Software licensing and maintenance	38,011	26,511	23,698	13,292	101,512
Communications	44,699	35,298	13,069	3,938	97,004
Travel	54,684	23,330	6,707	1,937	86,658
Participant activities and incentives	86,169	45,172			131,341
Insurance	24,813	19,834	17,144	2,067	63,858
Equipment rental and maintenance	22,011	11,330	12,111	912	46,364
Training – conferences and workshops	13,932	10,904	317	6,095	31,248
Bad debt expense		39,126			39,126
Promotions and advertising	19,344	2,000	2,952	727	25,023
Credit card processing fees	4,023	9,074	46	10,320	23,463
Postage and shipping	808	467	1,427	4,142	6,844
Interest	1,714	1,369	3,543	34	6,660
Dues and license fees	2,125	2,014	373	324	4,836
Other	<u>21,705</u>	<u>1,271</u>	<u>5,762</u>	<u>138</u>	<u>28,876</u>
Total expenses	<u>\$ 4,371,045</u>	<u>\$ 3,302,280</u>	<u>\$ 1,495,198</u>	<u>\$ 701,267</u>	9,869,790
Cost of direct donor benefits at special events					<u>98,915</u>
Total					<u>\$ 9,968,705</u>

See accompanying notes to consolidated financial statements.

The Council on Recovery and The Foundation for The Council on Recovery

Consolidated Statements of Cash Flows for the years ended August 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ (863,727)	\$ 1,321,396
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	368,889	368,889
Changes in operating assets and liabilities:		
Receivables	50,057	135,142
Prepaid expenses and other assets	807	(42,391)
Contributions receivable	418,052	(1,311,753)
Accounts payable and accrued expenses	156,955	50,748
Deferred revenue	<u>17,580</u>	<u>(85,696)</u>
Net cash provided by operating activities	<u>148,613</u>	<u>436,335</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	<u>(216,021)</u>	<u>(26,621)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on note payable	<u>(47,002)</u>	<u>(49,869)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(114,410)	359,845
Cash and cash equivalents, beginning of year	<u>1,727,629</u>	<u>1,367,784</u>
Cash and cash equivalents, end of year	<u>\$ 1,613,219</u>	<u>\$ 1,727,629</u>

See accompanying notes to consolidated financial statements.

The Council on Recovery and The Foundation for The Council on Recovery

Notes to Consolidated Financial Statements for the years ended August 31, 2019 and 2018

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization – The Council on Recovery (The Council) is a Texas nonprofit corporation located in Houston, Texas formed to keep the community healthy, productive, and safe by providing services and information to all who may be adversely affected by alcohol, drugs, and related issues. The Council's programs are operated primarily in the Greater Houston area.

The Foundation for The Council on Recovery (The Foundation), a financially-interrelated organization, is a nonprofit corporation founded in 1986 to support The Council in fulfilling its mission. The Board of Trustees of The Foundation is appointed by the Board of Trustees of The Council.

Basis of consolidation – These financial statements include the assets, liabilities, net assets, and activities of The Council and The Foundation (collectively the Consolidated Entities). Balances and transactions between the Consolidated Entities have been eliminated in consolidation.

Program services – The Council provides services in approximately 125 different locations in the Greater Houston area through the following programs:

Risk reduction services: The Council provides education, counseling and case management services to children, adolescents, adults, older adults and professionals along the no-use, experimental use, occasional use and mild harmful use spectrum. The Council teaches prevention education classes, provides enrichment activities and facilitates evidence-based curriculums in local elementary, middle and high schools. The Council also offers mindful choices classes to adolescents and their parents to help reduce high risk behaviors and school dropout rates. Older adults and their care providers are educated about the increased risk of alcohol and drug abuse due to the potential need for addictive pain medications and a lack of understanding of the effects of alcohol on the body as they age and the potential risks of combining alcohol with prescribed medications. Pregnant and post-partum women receive education about the impact of substances on their unborn or newborn child, as well as parenting education that assists them in parenting a new baby who may have been substance exposed or is being raised in a home where someone uses substances. These women also receive case management services to assist them in locating resources and enrolling in essential services. Professionals are educated during workshops and lectures about addiction issues, other compulsive behaviors, co-occurring mental health disorders, as well as the challenges and successful approaches to treatment and recovery.

Treatment and recovery services: The Council provides screening and referral services to adolescents, adults and older adults along the harmful use, addiction and recovery continuum. The screening identifies the individual's level of care needed. When the individual needs residential treatment, referrals and linkages are made for the client to appropriate treatment programs. Individual, family and group therapy and/or Intensive Outpatient Treatment as well as aftercare services are offered to those who are returning from residential treatment or to those whose use does not need a residential level of care. Additionally, The Council provides recovery support through specially designed education, social and supportive meetings and events.

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

Cash and cash equivalents include highly liquid financial instruments with original maturities of three months or less.

Program service fees receivable are uncollateralized client obligations from clients and third-party payors and are net of allowances for contractual adjustments and of uncollectible accounts of approximately \$123,000 and \$108,000 at August 31, 2019 and 2018, respectively. There is no policy to charge interest on past due accounts. In

evaluating the collectability of client accounts receivable, management evaluates its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for uncollectible accounts and provision for uncollectible accounts. Client accounts receivable balances are written off against the allowance when management determines a receivable will not be collected. It is possible that management's estimate regarding the collectability of these balances will change in the near term resulting in a change in the carrying value of client accounts receivable.

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. An allowance for uncollectible contributions receivable is provided when it is believed balances may not be collected in full. Contribution receivable balances are written off against the allowance when management determines a contribution receivable will not be collected. The adequacy of the allowance at the end of each period are determined using a combination of historical loss experience and individual account-by-account analysis of contribution receivable balances.

Property and equipment with a cost of more than \$5,000 are reported at cost if purchased or at fair value at the date of gift if donated. Depreciation is provided on a straight-line basis over estimated useful lives of 20 to 40 years for buildings and improvements and 3 to 10 years for furniture and equipment.

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 unless the donor also has placed a time restriction on the use of the long-lived asset, in which case the release occurs over the term of the time restriction.

Government contracts and fees are recognized as the related services are provided.

Contributions are recognized as revenue at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are classified as restricted support. Conditional contributions are recognized in the same manner when the conditions are substantially met. During the year ended August 31, 2019, approximately 41% of contributions were from three donors.

Special events revenue is recognized when the event occurs. Conditional contributions received for future events are reported in the statement of financial position as deferred revenue. Cost of direct donor benefits represent the cost of goods and services provided to attendees of special events.

Program service fees are recognized as revenue at the estimated net realizable amounts from clients, third-party payors and others when the services are provided. Amounts reimbursed for services rendered to clients covered under Medicare and other third-party payor programs are generally at amounts different than the established billing rates. Differences between the established rates and amounts reimbursed are recognized as contractual adjustments during the period in which the related services are provided. Fees are charged to clients on a sliding-scale basis. Differences between established rates and amounts charged to clients are recognized as sliding-scale fee adjustments in the period in which the related services are provided. Program service fees are presented net of contractual and sliding-scale fee adjustments of approximately \$1,387,000 and \$730,000 for the years ended August 31, 2019 and 2018, respectively.

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. Management and general activities are not directly identifiable with specific program or fundraising activities. Fundraising activities include the solicitation of contributions of money, securities,

materials, facilities, other assets, and time. Expenses that are attributable to one or more activity are allocated among the activities benefitted. Salaries and related costs are allocated on the basis of estimated time and effort expended. Occupancy, insurance and depreciation are allocated using hours worked of employees whose activities are charged to the specific final cost objectives as the allocation base.

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

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

NOTE 2 – ADOPTION OF ACCOUNTING STANDARDS UPDATE 2016-14

The Council adopted the amendments of ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, as of and for the year ended August 31, 2019. These amendments have been applied on a retrospective basis to the financial statements for the year ended August 31, 2018, except that information regarding liquidity and availability of resources has been omitted as permitted by the ASU. Adoption of this ASU resulted in reclassification of previously reported activities and net assets to conform to the 2019 presentation but had no impact on total net assets or total changes in net assets for 2018.

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 August 31, 2019 comprise the following:

Financial assets at August 31, 2019:	
Cash and cash equivalents	\$ 1,613,219
Government contracts receivable	314,414
Program service fees and other receivables, net	75,034
Contributions receivable	<u>2,203,252</u>
Total financial assets	4,205,919
Less financial assets not available for general expenditure:	
Cash equivalents restricted to support the speaker series	(113,600)
Donor-restricted assets – campaign for sustainability	<u>(2,565,490)</u>
Total financial assets available for general expenditure	<u>\$ 1,526,829</u>

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

The Council is substantially supported by contributions, government grant, and program service fee income and regularly monitors the liquidity required to meet its operating needs. The Council has a policy to structure its financial assets to be available as general expenditures and liabilities become due. To help manage unanticipated liquidity needs, The Council has a line of credit of \$750,000 available. Additionally, the first \$3 million in proceeds from the campaign for sustainability may be used as a working capital loan for future Council initiatives.

NOTE 4 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents:		
Demand deposits	\$ 795,787	\$ 966,819
Money market mutual funds	<u>817,432</u>	<u>760,810</u>
Total cash and cash equivalents	<u>\$ 1,613,219</u>	<u>\$ 1,727,629</u>

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

NOTE 5 – CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following:

	<u>2019</u>	<u>2018</u>
United Way	\$ 143,976	\$ 150,521
Other programs	437,286	939,429
Campaign for sustainability	<u>1,698,976</u>	<u>1,646,840</u>
Total contributions receivable	2,280,238	2,736,790
Allowance for uncollectible accounts	(38,986)	(47,486)
Discount to net present value at 1% to 2.8%	<u>(38,000)</u>	<u>(68,000)</u>
Contributions receivable, net	<u>\$ 2,203,252</u>	<u>\$ 2,621,304</u>

Contributions receivable at August 31, 2019 are expected to be collected as follows:

2020	\$ 1,301,545
2021	524,567
2022	450,293
2023	2,333
2024	<u>1,500</u>
Total contributions receivable	<u>\$ 2,280,238</u>

Concentration – At August 31, 2019, contributions receivable from two donors comprised approximately 66% of contributions receivable. At August 31, 2018, contributions receivable from three donors comprised approximately 75% of contributions receivable.

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	<u>2019</u>	<u>2018</u>
Land	\$ 728,359	\$ 728,359
Buildings and improvements	13,500,611	13,291,501
Furniture and equipment	<u>742,880</u>	<u>736,235</u>
Total property and equipment, at cost	14,971,850	14,756,095
Accumulated depreciation	<u>(5,226,230)</u>	<u>(4,857,607)</u>
Property and equipment, net	<u>\$ 9,745,620</u>	<u>\$ 9,898,488</u>

NOTE 7 – NOTE PAYABLE

During August 2013, The Council borrowed \$279,763 from a bank to fund a pension plan termination liability. The liability arose from the termination of a multi-employer, cash balance defined benefit pension plan sponsored by the United Way of Greater Houston in which The Council participated prior to its termination in 2013. At August 31, 2019, the note payable was fully paid off.

The Council has a \$750,000 line of credit with a bank that expires in March 2020. At August 31, 2019, no balance was outstanding on this line of credit.

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes:

	<u>2019</u>	<u>2018</u>
Subject to expenditure for specified purpose:		
Campaign for sustainability	\$ 2,565,490	\$ 1,985,000
Risk reduction services	419,796	605,270
Integrated Care Initiative	163,257	250,000
Treatment and recovery services	79,990	94,515
Post disaster recovery services		223,135
Other	<u>20,000</u>	<u>27,000</u>
Total subject to expenditure for specified purpose	3,248,533	3,184,920
Not subject to appropriation or expenditure – speaker series	<u>113,600</u>	<u>113,600</u>
Total net assets with donor restrictions	<u>\$ 3,362,133</u>	<u>\$ 3,298,520</u>

NOTE 9 – GOVERNMENT GRANTS AND FEES

The Council is the recipient of government contracts from federal, state, and local agencies. Should these contracts not be renewed, a replacement for this source of support may not be forthcoming and related expenses would not be incurred. Government grants and fees recognized are as follows:

	<u>2019</u>	<u>2018</u>
Texas Health and Human Services Commission	\$ 2,580,874	\$ 2,681,250
The Harris Center for Mental Health and IDD	1,286,196	1,381,802
Harris County, Texas	253,598	261,883
Other	<u>74,935</u>	<u>107,237</u>
Total government grants and fees	<u>\$ 4,195,603</u>	<u>\$ 4,432,172</u>

Grants from federal, state, and local government funding sources require fulfillment of certain conditions as set forth in the grant contracts and are subject to review and audit by the awarding agencies. Such reviews and audits could result in the discovery of unallowable activities and unallowable costs. Consequently, any of the funding sources may, at their discretion, request reimbursement for expenses or return of funds as a result of non-compliance with the terms of the contracts. Management believes such disallowances, if any, would not be material to The Council's financial position or changes in net assets.

NOTE 10 – EMPLOYEE BENEFIT PLAN

The Council provides a §403(b) defined contribution retirement plan. Employees may elect to participate in the §403(b) plan at the time of hire or at the beginning of any subsequent calendar quarter, if eligible. The Council makes a matching contribution equal to 100% of the employee's contribution up to a maximum of 4% of compensation. Contributions to the §403(b) plan totaled approximately \$132,000 and \$138,000 for the years ended August 31, 2019 and 2018, respectively.

NOTE 11 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 22, 2020, 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.
