

**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, 2020 and 2019

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, 2020 and 2019	2
Consolidated Statement of Activities for the year ended August 31, 2020	3
Consolidated Statement of Activities for the year ended August 31, 2019	4
Consolidated Statement of Functional Expenses for the year ended August 31, 2020	5
Consolidated Statement of Functional Expenses for the year ended August 31, 2019	6
Consolidated Statements of Cash Flows for the years ended August 31, 2020 and 2019	7
Notes to Consolidated Financial Statements for the years ended August 31, 2020 and 2019	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, 2020 and 2019 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

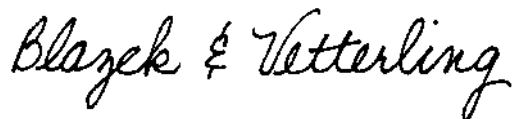
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform our audits to obtain reasonable assurance about 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, 2020 and 2019 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 26, 2021

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

Consolidated Statements of Financial Position as of August 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and cash equivalents (<i>Note 4</i>)	\$ 3,216,194	\$ 1,613,219
Government grants receivable	200,836	234,318
Program service fees and other receivables, net	176,311	155,130
Prepaid expenses and other assets	95,363	149,754
Contributions receivable, net (<i>Note 5</i>)	1,218,700	2,203,252
Property and equipment, net (<i>Note 6</i>)	<u>9,468,874</u>	<u>9,745,620</u>
TOTAL ASSETS	<u>\$ 14,376,278</u>	<u>\$ 14,101,293</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 320,866	\$ 449,802
Deferred revenue:		
Special events	278,544	324,811
Program service fees	86,793	82,100
Paycheck Protection Program refundable advance (<i>Note 7</i>)	<u>1,293,300</u>	<u> </u>
Total liabilities	<u>1,979,503</u>	<u>856,713</u>
Net assets:		
Without donor restrictions	8,960,714	9,882,447
With donor restrictions (<i>Note 8</i>)	<u>3,436,061</u>	<u>3,362,133</u>
Total net assets	<u>12,396,775</u>	<u>13,244,580</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 14,376,278</u>	<u>\$ 14,101,293</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, 2020

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions:			
Government grants (Note 9)		\$ 2,972,552	\$ 2,972,552
United Way		410,326	410,326
Other	\$ 1,152,600	1,353,577	2,506,177
Special events	418,759		418,759
Cost of direct donor benefits at special events	(45,310)		(45,310)
Fees and program revenue:			
Program service fees, net	953,488		953,488
Government contracts (Note 9)	815,233		815,233
Building rental	66,719		66,719
Other income	26,785		26,785
Total revenue	3,388,274	4,736,455	8,124,729
Net assets released from restrictions:			
Expenditures for program purposes	4,662,527	(4,662,527)	
Total	8,050,801	73,928	8,124,729
EXPENSES:			
Program services:			
Risk reduction services	3,750,615		3,750,615
Treatment and recovery services	3,131,437		3,131,437
Total program services	6,882,052		6,882,052
Supporting services:			
Management and general	1,419,299		1,419,299
Fundraising	671,183		671,183
Total supporting services	2,090,482		2,090,482
Total expenses	8,972,534		8,972,534
CHANGES IN NET ASSETS	(921,733)	73,928	(847,805)
Net assets, beginning of year	9,882,447	3,362,133	13,244,580
Net assets, end of year	\$ 8,960,714	\$ 3,436,061	\$ 12,396,775

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

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions:			
Government grants (Note 9)		\$ 3,409,722	\$ 3,409,722
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)
Fees and program revenue:			
Program service fees, net	966,058		966,058
Government contracts (Note 9)	785,881		785,881
Building rental	137,640		137,640
Other income	41,122		41,122
Total revenue	3,310,901	5,628,700	8,939,601
Net assets released from restrictions:			
Expenditures for program purposes	5,565,087	(5,565,087)	
Total	8,875,988	63,613	8,939,601
EXPENSES:			
Program services:			
Risk reduction services	4,278,109		4,278,109
Treatment and recovery services	3,147,628		3,147,628
Total program services	7,425,737		7,425,737
Supporting services:			
Management and general	1,612,611		1,612,611
Fundraising	764,980		764,980
Total supporting services	2,377,591		2,377,591
Total expenses	9,803,328		9,803,328
CHANGES IN NET ASSETS	(927,340)	63,613	(863,727)
Net assets, beginning of year	10,809,787	3,298,520	14,108,307
Net assets, end of year	\$ 9,882,447	\$ 3,362,133	\$ 13,244,580

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, 2020

	PROGRAM SERVICES		SUPPORTING SERVICES		
	RISK REDUCTION SERVICES	TREATMENT AND RECOVERY SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Salaries	\$ 2,312,441	\$ 2,118,704	\$ 858,802	\$ 376,206	\$ 5,666,153
Benefits and payroll taxes	<u>561,378</u>	<u>513,870</u>	<u>207,022</u>	<u>78,599</u>	<u>1,360,869</u>
Total salaries and related expenses	2,873,819	2,632,574	1,065,824	454,805	7,027,022
Professional fees	87,476	66,250	179,504	78,992	412,222
Depreciation	227,715	119,251	20,902	6,743	374,611
Occupancy	170,911	90,776	28,180	7,952	297,819
Supplies	88,797	50,223	30,369	40,941	210,330
Software licensing and maintenance	41,579	31,354	30,759	18,271	121,963
Communications	48,066	39,339	13,356	4,782	105,543
Participant activities and incentives	76,838	21,120	43		98,001
Insurance	24,689	20,706	19,917	2,085	67,397
Travel	24,549	10,358	5,723	1,008	41,638
Equipment rental and maintenance	16,755	8,968	12,670	769	39,162
Bad debt expense	8,611	21,223			29,834
Credit card processing fees	2,105	9,820		7,491	19,416
Promotions and advertising	16,181	682	909	500	18,272
Training – conferences and workshops	3,941	4,191	4,975	167	13,274
Postage and shipping	399	291	111	4,981	5,782
Dues and license fees	1,440	2,168	46		3,654
Other	<u>36,744</u>	<u>2,143</u>	<u>6,011</u>	<u>41,696</u>	<u>86,594</u>
Total expenses	<u>\$ 3,750,615</u>	<u>\$ 3,131,437</u>	<u>\$ 1,419,299</u>	<u>\$ 671,183</u>	8,972,534
Cost of direct donor benefits at special events					<u>45,310</u>
Total					<u>\$ 9,017,844</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		
	RISK REDUCTION SERVICES	TREATMENT AND RECOVERY SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
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
Participant activities and incentives	66,184	14,908			81,092
Insurance	25,459	19,461	18,580	2,053	65,553
Travel	55,022	21,138	9,512	3,747	89,419
Equipment rental and maintenance	26,666	11,540	11,419	992	50,617
Bad debt expense	11,863	15,553			27,416
Credit card processing fees	3,784	9,427		9,814	23,025
Promotions and advertising	15,362	1,800	8,037	549	25,748
Training – conferences and workshops	13,004	13,217	3,242	4,411	33,874
Postage and shipping	604	349	167	5,748	6,868
Dues and license fees	267	219	690	3	1,179
Other	<u>47,215</u>	<u>2,450</u>	<u>12,842</u>	<u>91</u>	<u>62,598</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 Statements of Cash Flows for the years ended August 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ (847,805)	\$ (863,727)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	374,611	368,889
Changes in operating assets and liabilities:		
Government grants receivable	33,482	67,869
Program service fees and other receivables	(21,181)	(17,812)
Prepaid expenses and other assets	54,391	807
Contributions receivable	984,552	418,052
Accounts payable and accrued expenses	(128,936)	156,955
Deferred revenue	(41,574)	17,580
Paycheck Protection Program refundable advance	<u>1,293,300</u>	
Net cash provided by operating activities	<u>1,700,840</u>	<u>148,613</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	<u>(97,865)</u>	<u>(216,021)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on note payable		<u>(47,002)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,602,975	(114,410)
Cash and cash equivalents, beginning of year	<u>1,613,219</u>	<u>1,727,629</u>
Cash and cash equivalents, end of year	<u>\$ 3,216,194</u>	<u>\$ 1,613,219</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, 2020 and 2019

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.

Government grants and 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. At August 31, 2020, all government grants receivable are expected to be

collected within one year. An allowance for uncollectible contributions receivable is provided when it is believed balances may not be collected in full. Contributions 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 contributions receivable balances.

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 \$153,000 and \$123,000 at August 31, 2020 and 2019, respectively. There is no policy to charge interest on past due accounts. In evaluating the collectability of client accounts receivable, management evaluates its 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.

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

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 and government contracts 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 \$1,225,000 and \$1,387,000 for the years ended August 31, 2020 and 2019, respectively. Amounts received but not yet earned are reported in the statement of financial position as deferred revenue.

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 employees’ time and effort expended. Occupancy, insurance and depreciation allocation base is allocated based upon employees’ time and effort to the specific final cost objectives.

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 pronouncement – In May 2014, the Financial Accounting Standards Board 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 in fiscal year 2021 and the ASU must be applied retrospectively. Adoption of this ASU will impact the presentation and disclosures of the financial statements.

NOTE 2 – ADOPTION OF ACCOUNTING STANDARD

The Council adopted 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. The Council adopted the new standard effective September 1, 2019. Adoption of this ASU resulted in reclassifications of previously reported activities to conform to the 2020 presentation but had no impact on total net assets or total changes in net assets in 2019.

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 are comprised the following:

	<u>2020</u>	<u>2019</u>
Financial assets:		
Cash and cash equivalents	\$ 3,216,194	\$ 1,613,219
Government grants receivable	200,836	234,318
Program service fees and other receivables, net	176,311	155,130
Contributions receivable, net	<u>1,218,700</u>	<u>2,203,252</u>
Total financial assets available for general expenditure	4,812,041	4,205,919
Less financial assets not available for general expenditure:		
Cash equivalents restricted to support the speaker series	(113,600)	(113,600)
Donor-restricted assets – campaign for sustainability	<u>(2,672,920)</u>	<u>(2,565,490)</u>
Total financial assets available for general expenditure	<u>\$ 2,025,521</u>	<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 grants and contracts, 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 first \$3 million in proceeds from the campaign for sustainability may be used as a working capital loan for future Council initiatives. Additionally, The Council received a Paycheck Protection Program loan that is expected to be forgiven and recognized as revenue in 2021 totaling \$1,293,300 (see Note 7).

Additionally, The Council has a \$750,000 line of credit available that expires in April 2021. At August 31, 2020, no balance was outstanding on this line of credit.

NOTE 4 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

	<u>2020</u>	<u>2019</u>
Demand deposits	\$ 2,390,645	\$ 795,787
Money market mutual funds	<u>825,549</u>	<u>817,432</u>
Total cash and cash equivalents	<u>\$ 3,216,194</u>	<u>\$ 1,613,219</u>

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

NOTE 5 – CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following:

	<u>2020</u>	<u>2019</u>
Campaign for sustainability	\$ 902,626	\$ 1,698,976
United Way	136,777	143,976
Other programs	<u>218,283</u>	<u>437,286</u>
Total contributions receivable	1,257,686	2,280,238
Allowance for uncollectible accounts	(29,986)	(38,986)
Discount to net present value at 1% to 2.8%	<u>(9,000)</u>	<u>(38,000)</u>
Contributions receivable, net	<u>\$ 1,218,700</u>	<u>\$ 2,203,252</u>

Contributions receivable at August 31, 2020 are expected to be collected as follows:

2021	\$ 908,892
2022	345,961
2023	2,333
2024	<u>500</u>
Total contributions receivable	<u>\$ 1,257,686</u>

Concentration – At August 31, 2020, contributions receivable from two donors comprised approximately 56% of contributions receivable. At August 31, 2019, contributions receivable from two donors comprised approximately 66% of contributions receivable.

Conditional contributions – At August 31, 2020, The Council has approximately \$12.6 million of conditional contributions from government agencies. The contributions will be recognized as revenue when the conditions, which include incurring allowable expenses, are met.

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	<u>2020</u>	<u>2019</u>
Land	\$ 728,359	\$ 728,359
Buildings and improvements	13,598,475	13,500,611
Furniture and equipment	<u>742,880</u>	<u>742,880</u>
Total property and equipment, at cost	15,069,714	14,971,850
Accumulated depreciation	<u>(5,600,840)</u>	<u>(5,226,230)</u>
Property and equipment, net	<u>\$ 9,468,874</u>	<u>\$ 9,745,620</u>

NOTE 7 – REFUNDABLE ADVANCE

In April 2020, The Council received an unsecured bank loan of \$1,293,300 funded through the Federal Paycheck Protection Program (PPP). The loans bear interest at 1.0% and may be repaid over 2 years. PPP loan principal and interest may be forgiven, in whole or in part, if The Council meets eligibility requirements and uses the loan to fund qualified payroll and other eligible costs. The Council has submitted an application for forgiveness and expects to qualify for full forgiveness.

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose:		
Campaign for sustainability	\$ 2,672,920	\$ 2,565,490
Treatment and recovery services	281,888	79,990
Risk reduction services	229,686	419,796
Veterans services	52,322	
Integrated Care Initiative	42,945	163,257
Other	<u>42,700</u>	<u>20,000</u>
Total subject to expenditure for specified purpose	3,322,461	3,248,533
Not subject to appropriation or expenditure – speaker series	<u>113,600</u>	<u>113,600</u>
Total net assets with donor restrictions	<u>\$ 3,436,061</u>	<u>\$ 3,362,133</u>

NOTE 9 – GOVERNMENT GRANTS AND CONTRACTS

The Council is the recipient of government grants and contracts from state and local nonprofit agencies. Should these grants and 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 contracts recognized are as follows:

	<u>2020</u>	<u>2019</u>
Texas Health and Human Services Commission	\$ 2,223,328	\$ 2,580,874
The Harris Center for Mental Health and IDD	1,248,274	1,286,196
Harris County, Texas	246,343	253,598
Other	<u>69,840</u>	<u>74,935</u>
Total government grants and contracts	<u>\$ 3,787,785</u>	<u>\$ 4,195,603</u>

Grants from federal, state, and local nonprofit funding sources often 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 consolidated 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 \$159,000 and \$132,000 for the years ended August 31, 2020 and 2019, respectively.

NOTE 11 – SUBSEQUENT EVENTS

On March 11, 2020, the Director-General of the World Health Organization declared a pandemic related to the global outbreak of the new coronavirus COVID-19 and on March 13, 2020, a national emergency was declared in the United States. As of the date of this report, The Council continues to support work from home for many of its employees and delivery of virtual program opportunities. While The Council expects these events to negatively impact operating results and financial position, the financial impact cannot be reasonably estimated at this time.

Management has evaluated subsequent events through January 26, 2021, which is the date that the financial statements were available for issuance. As a result of this evaluation, no other events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.