

**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, 2021 and 2020

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

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## 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, 2021 and 2020 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

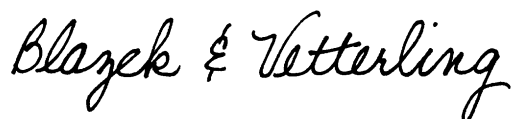
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform our audits to obtain reasonable assurance about 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, 2021 and 2020 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 27, 2022

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

Consolidated Statements of Financial Position as of August 31, 2021 and 2020

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	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents ( <i>Note 3</i> )	\$ 3,231,691	\$ 3,216,194
Program service fees and other receivables, net	149,984	176,311
Prepaid expenses and other assets	137,122	95,363
Contributions receivable, net ( <i>Note 4</i> )	1,035,080	1,419,536
Property and equipment, net ( <i>Note 5</i> )	<u>9,230,658</u>	<u>9,468,874</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 13,784,535</u></b>	<b><u>\$ 14,376,278</u></b>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 359,915	\$ 320,866
Deferred revenue:		
Special events	397,275	278,544
Program service fees	95,363	86,793
Paycheck Protection Program refundable advance ( <i>Note 2</i> )	<u>                    </u>	<u>1,293,300</u>
Total liabilities	<u>852,553</u>	<u>1,979,503</u>
Net assets:		
Without donor restrictions	12,133,257	8,960,714
With donor restrictions ( <i>Note 6</i> )	<u>798,725</u>	<u>3,436,061</u>
Total net assets	<u>12,931,982</u>	<u>12,396,775</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 13,784,535</u></b>	<b><u>\$ 14,376,278</u></b>

*See accompanying notes to consolidated financial statements.*

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

Consolidated Statement of Activities for the year ended August 31, 2021

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	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>
<b>REVENUE:</b>			
<b>Contributions:</b>			
Government grants <i>(Note 7)</i>		\$ 4,093,478	\$ 4,093,478
United Way		329,287	329,287
Other contributions	\$ 872,978	1,411,541	2,284,519
<b>Fees and program revenue:</b>			
Government contracts <i>(Note 7)</i>	689,442		689,442
Program service fees, net	680,074		680,074
Building rental	53,784		53,784
Special events	707,485		707,485
Other income	<u>69,301</u>		<u>69,301</u>
Total revenue	3,073,064	5,834,306	8,907,370
<b>Net assets released from restrictions:</b>			
Expenditures for program purposes	<u>8,471,642</u>	<u>(8,471,642)</u>	
Total	<u>11,544,706</u>	<u>(2,637,336)</u>	<u>8,907,370</u>
<b>EXPENSES:</b>			
<b>Program services:</b>			
Treatment and recovery services	3,411,597		3,411,597
Risk reduction services	<u>2,807,817</u>		<u>2,807,817</u>
Total program services	<u>6,219,414</u>		<u>6,219,414</u>
<b>Supporting services:</b>			
Management and general	1,360,471		1,360,471
Fundraising	<u>792,278</u>		<u>792,278</u>
Total supporting services	<u>2,152,749</u>		<u>2,152,749</u>
Total expenses	<u>8,372,163</u>		<u>8,372,163</u>
<b>CHANGES IN NET ASSETS</b>	3,172,543	(2,637,336)	535,207
Net assets, beginning of year	<u>8,960,714</u>	<u>3,436,061</u>	<u>12,396,775</u>
Net assets, end of year	<u>\$ 12,133,257</u>	<u>\$ 798,725</u>	<u>\$ 12,931,982</u>

*See accompanying notes to consolidated financial statements.*

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## 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 ( <i>Note 7</i> )		\$ 2,972,552	\$ 2,972,552
United Way		410,326	410,326
Other contributions	\$ 1,152,600	1,353,577	2,506,177
Fees and program revenue:			
Government contracts ( <i>Note 7</i> )	815,233		815,233
Program service fees, net	953,488		953,488
Building rental	66,719		66,719
Special events	418,759		418,759
Cost of direct donor benefits at special events	(45,310)		(45,310)
Other income	26,785		26,785
	<u>3,388,274</u>	<u>4,736,455</u>	<u>8,124,729</u>
Net assets released from restrictions:			
Expenditures for program purposes	<u>4,662,527</u>	<u>(4,662,527)</u>	
Total	<u>8,050,801</u>	<u>73,928</u>	<u>8,124,729</u>
EXPENSES:			
Program services:			
Treatment and recovery services	3,131,437		3,131,437
Risk reduction services	<u>3,750,615</u>		<u>3,750,615</u>
Total program services	<u>6,882,052</u>		<u>6,882,052</u>
Supporting services:			
Management and general	1,419,299		1,419,299
Fundraising	<u>671,183</u>		<u>671,183</u>
Total supporting services	<u>2,090,482</u>		<u>2,090,482</u>
Total expenses	<u>8,972,534</u>		<u>8,972,534</u>
CHANGES IN NET ASSETS	(921,733)	73,928	(847,805)
Net assets, beginning of year	<u>9,882,447</u>	<u>3,362,133</u>	<u>13,244,580</u>
Net assets, end of year	<u>\$ 8,960,714</u>	<u>\$ 3,436,061</u>	<u>\$ 12,396,775</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, 2021

	PROGRAM SERVICES		SUPPORTING SERVICES		TOTAL
	TREATMENT AND RECOVERY SERVICES	RISK REDUCTION SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	
Salaries	\$ 2,252,741	\$ 1,708,206	\$ 780,059	\$ 435,654	\$ 5,176,660
Benefits and payroll taxes	<u>524,999</u>	<u>397,073</u>	<u>178,548</u>	<u>86,558</u>	<u>1,187,178</u>
Total salaries and related expenses	2,777,740	2,105,279	958,607	522,212	6,363,838
Professional fees	117,070	64,197	217,710	115,651	514,628
Depreciation	138,603	202,162	21,976	8,503	371,244
Occupancy	96,675	148,218	32,445	10,025	287,363
Supplies	107,408	73,444	18,787	20,441	220,080
Software licensing and maintenance	41,175	36,754	32,624	17,494	128,047
Communications	48,115	35,747	13,536	6,700	104,098
Insurance	25,284	19,088	21,580	4,141	70,093
Equipment rental and maintenance	13,012	21,109	11,351	1,142	46,614
Participant activities and incentives	9,728	25,220			34,948
Credit card processing fees			15,698		15,698
Promotions and advertising		8,050	3,096	4,391	15,537
Training – conferences and workshops	3,865	3,701	2,952		10,518
Travel	2,475	3,164	1,974	737	8,350
Postage and shipping	77	916	97	4,107	5,197
Dues and license fees	2,856	1,846	16	8	4,726
Other	<u>27,514</u>	<u>58,922</u>	<u>8,022</u>	<u>76,726</u>	<u>171,184</u>
Total expenses	<u>\$ 3,411,597</u>	<u>\$ 2,807,817</u>	<u>\$ 1,360,471</u>	<u>\$ 792,278</u>	<u>\$ 8,372,163</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, 2020

	PROGRAM SERVICES		SUPPORTING SERVICES		TOTAL
	TREATMENT AND RECOVERY SERVICES	RISK REDUCTION SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	
Salaries	\$ 2,118,704	\$ 2,312,441	\$ 858,802	\$ 376,206	\$ 5,666,153
Benefits and payroll taxes	<u>513,870</u>	<u>561,378</u>	<u>207,022</u>	<u>78,599</u>	<u>1,360,869</u>
Total salaries and related expenses	2,632,574	2,873,819	1,065,824	454,805	7,027,022
Professional fees	66,250	87,476	179,504	78,992	412,222
Depreciation	119,251	227,715	20,902	6,743	374,611
Occupancy	90,776	170,911	28,180	7,952	297,819
Supplies	50,223	88,797	30,369	40,941	210,330
Software licensing and maintenance	31,354	41,579	30,759	18,271	121,963
Communications	39,339	48,066	13,356	4,782	105,543
Insurance	20,706	24,689	19,917	2,085	67,397
Equipment rental and maintenance	8,968	16,755	12,670	769	39,162
Participant activities and incentives	21,120	76,838	43		98,001
Credit card processing fees	9,820	2,105		7,491	19,416
Promotions and advertising	682	16,181	909	500	18,272
Training – conferences and workshops	4,191	3,941	4,975	167	13,274
Travel	10,358	24,549	5,723	1,008	41,638
Postage and shipping	291	399	111	4,981	5,782
Dues and license fees	2,168	1,440	46		3,654
Other	<u>23,366</u>	<u>45,355</u>	<u>6,011</u>	<u>41,696</u>	<u>116,428</u>
Total expenses	<u>\$ 3,131,437</u>	<u>\$ 3,750,615</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 Statements of Cash Flows for the years ended August 31, 2021 and 2020

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	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 535,207	\$ (847,805)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	371,244	374,611
Changes in operating assets and liabilities:		
Program service fees and other receivables	26,327	(21,181)
Prepaid expenses and other assets	(41,759)	54,391
Contributions receivable	384,456	1,018,034
Accounts payable and accrued expenses	39,049	(128,936)
Deferred revenue	127,301	(41,574)
Paycheck Protection Program refundable advance	<u>(1,293,300)</u>	<u>1,293,300</u>
Net cash provided by operating activities	<u>148,525</u>	<u>1,700,840</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	<u>(133,028)</u>	<u>(97,865)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	15,497	1,602,975
Cash and cash equivalents, beginning of year	<u>3,216,194</u>	<u>1,613,219</u>
Cash and cash equivalents, end of year	<u>\$ 3,231,691</u>	<u>\$ 3,216,194</u>

*See accompanying notes to consolidated financial statements.*

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

Notes to Consolidated Financial Statements for the years ended August 31, 2021 and 2020

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### 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. Since their founding in 1946, The Council has been at the forefront of helping individuals and families whose lives have been impacted by alcoholism, drug addiction, and co-occurring mental health disorders. The Council’s mission is to keep the community healthy, productive and safe by providing services and information to all who are impacted 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 (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:

*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.

*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.

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 \$161,000 and \$153,000 at August 31, 2021 and 2020, 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.

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. Discounts are computed using risk-free interest rates applicable to the years in which the promises are received. 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.

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.

Contributions are recognized at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are classified as *with donor restrictions*. Conditional contributions 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.

Donated materials, use of facilities and services are recognized at fair value as contributions when an unconditional commitment is received from the donor. The related expense is recognized as the item is used. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Program service fees are derived from providing alcohol and substance abuse counseling services to individuals. Performance obligations are recognized at the point in time when the services are provided at the estimated net realizable amounts from individuals, third-party payors and others. 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 self-pay individuals on a sliding-scale basis. Program service fees are presented net of contractual and sliding-scale fee adjustments of approximately \$670,000 and \$1,225,000 for the years ended August 31, 2021 and 2020, respectively. Payments received before the performance obligations are satisfied are reported as deferred revenue. At August 31, 2021, 2020 and 2019, accounts receivable from program service fees were \$98,818, \$70,111 and \$63,694, respectively. At August 31, 2021, 2020 and 2019, deferred revenue from program service fees were \$95,363, \$86,793 and \$82,100, respectively. The Council has no contract assets at August 31, 2021, 2020 or 2019.

Government contract income – The Council has agreements with The Harris Center for Mental Health and IDD and Harris County to provide comprehensive alcohol and substance abuse assessment, referral, education, case management, crisis intervention and counseling services to youth involved in the juvenile justice system with emerging and recurring alcohol and substance abuse problems. Revenue is recognized over time as performance obligations are met using the input method based on the labor hours expended and third-party costs incurred. At August 31, 2021, 2020 and 2019, accounts receivable from government contract income were \$41,293, \$103,630 and \$80,096, respectively. The Council has no contract assets or liabilities from government contract income at August 31, 2021, 2020 or 2019.

Special events revenue is the total amount paid by sponsors and attendees of an event and includes elements of both contributions and exchange transactions. 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.

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 is allocated based upon square footage of space devoted to the specific program or activity.

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.

**NOTE 2 – LIQUIDITY AND AVAILABILITY OF RESOURCES**

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

	<u>2021</u>	<u>2020</u>
Financial assets:		
Cash and cash equivalents	\$ 3,231,691	\$ 3,216,194
Program service fees and other receivables, net	149,984	176,311
Contributions receivable, net	<u>1,035,080</u>	<u>1,419,536</u>
Total financial assets	4,416,755	4,812,041
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>(122,333)</u>	<u>(2,672,920)</u>
Total financial assets available for general expenditure	<u>\$ 4,180,822</u>	<u>\$ 2,025,521</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 its general expenditures and liabilities become due.

The Council received a \$1,293,300 Paycheck Protection Program loan through the Small Business Administration in April 2020. In January 2021, The Council was notified that \$1,293,300 had been forgiven and that amount was recognized as a contribution.

The Council has contribution commitments for fiscal year 2022 government grants totaling approximately \$3.1 million, which are conditioned upon The Council incurring qualified expenditures. Additionally, The Council has a \$750,000 line of credit available that expires in April 2022. At August 31, 2021 or 2020, no balance was outstanding on this line of credit.

**NOTE 3 – CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of the following:

	<u>2021</u>	<u>2020</u>
Demand deposits	\$ 2,270,668	\$ 2,390,645
Money market mutual funds	<u>961,023</u>	<u>825,549</u>
Total cash and cash equivalents	<u>\$ 3,231,691</u>	<u>\$ 3,216,194</u>

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

**NOTE 4 – CONTRIBUTIONS RECEIVABLE**

Contributions receivable consist of the following:

	<u>2021</u>	<u>2020</u>
Campaign for sustainability	\$ 515,506	\$ 902,626
Government agencies	373,786	200,836
United Way	105,856	136,777
Other programs	<u>75,484</u>	<u>218,283</u>
Total contributions receivable	1,070,632	1,458,522
Allowance for uncollectible accounts	(35,552)	(29,986)
Discount to net present value at 1.0% to 2.8%	<u>                    </u>	<u>(9,000)</u>
Contributions receivable, net	<u>\$ 1,035,080</u>	<u>\$ 1,419,536</u>

Contributions receivable at August 31, 2021 are expected to be collected as follows:

2022	\$ 943,299
2023	<u>127,333</u>
Total contributions receivable	<u>\$ 1,070,632</u>

At August 31, 2021, The Council has approximately \$9.8 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 5 – PROPERTY AND EQUIPMENT**

Property and equipment consists of the following:

	<u>2021</u>	<u>2020</u>
Land	\$ 728,359	\$ 728,359
Buildings and improvements	13,598,475	13,598,475
Furniture and equipment	<u>875,908</u>	<u>742,880</u>
Total property and equipment, at cost	15,202,742	15,069,714
Accumulated depreciation	<u>(5,972,084)</u>	<u>(5,600,840)</u>
Property and equipment, net	<u>\$ 9,230,658</u>	<u>\$ 9,468,874</u>

## NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specified purpose:		
Campaign for sustainability	\$ 510,506	\$ 2,672,920
Treatment and recovery services	80,521	281,888
Risk reduction services	54,393	229,686
Veterans services	2,005	52,322
Integrated Care Initiative		42,945
Other	<u>37,700</u>	<u>42,700</u>
Total subject to expenditure for specified purpose	685,125	3,322,461
Not subject to appropriation or expenditure – speaker series	<u>113,600</u>	<u>113,600</u>
Total net assets with donor restrictions	<u>\$ 798,725</u>	<u>\$ 3,436,061</u>

## NOTE 7 – 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>2021</u>	<u>2020</u>
Texas Health and Human Services Commission	\$ 1,940,245	\$ 2,223,328
The Harris Center for Mental Health and IDD	1,299,908	1,248,274
Paycheck Protection Program loan forgiveness	1,293,300	
Harris County, Texas	161,257	246,343
Other	<u>88,210</u>	<u>69,840</u>
Total government grants and contracts	<u>\$ 4,782,920</u>	<u>\$ 3,787,785</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 by The Council 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 8 – 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 \$123,000 and \$159,000 for the years ended August 31, 2021 and 2020, respectively.

## NOTE 9 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 27, 2022, 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.