

**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, 2022 and 2021

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, 2022 and 2021	3
Consolidated Statement of Activities for the year ended August 31, 2022	4
Consolidated Statement of Activities for the year ended August 31, 2021	5
Consolidated Statement of Functional Expenses for the year ended August 31, 2022	6
Consolidated Statement of Functional Expenses for the year ended August 31, 2021	7
Consolidated Statements of Cash Flows for the years ended August 31, 2022 and 2021	8
Notes to Consolidated Financial Statements for the years ended August 31, 2022 and 2021	9

Independent Auditors' Report

To the Board of Trustees of
The Council on Recovery:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of The Council on Recovery and The Foundation for The Council on Recovery (collectively the Consolidated Entities), which comprise the consolidated statements of financial position as of August 31, 2022 and 2021, 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 consolidated financial statements.

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

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

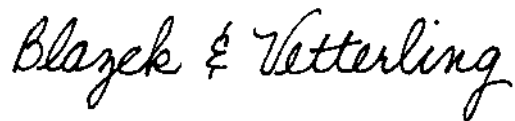
In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Report Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2023 on our consideration of the Consolidated Entities' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Consolidated Entities' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Consolidated Entities' internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Blazek & Vetterling". The script is cursive and fluid, with the ampersand clearly visible between the two names.

February 24, 2023

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

Consolidated Statements of Financial Position as of August 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and cash equivalents (<i>Note 3</i>)	\$ 4,825,870	\$ 3,231,691
Program service fees and other receivables, net	81,951	149,984
Prepaid expenses and other assets	115,132	137,122
Contributions receivable, net (<i>Note 4</i>)	883,277	1,035,080
Property and equipment, net (<i>Note 5</i>)	<u>8,934,234</u>	<u>9,230,658</u>
TOTAL ASSETS	<u>\$ 14,840,464</u>	<u>\$ 13,784,535</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 506,572	\$ 359,915
Deferred revenue:		
Special events	237,002	397,275
Program service fees	<u>114,351</u>	<u>95,363</u>
Total liabilities	<u>857,925</u>	<u>852,553</u>
Net assets:		
Without donor restrictions	11,727,953	12,133,257
With donor restrictions (<i>Note 6</i>)	<u>2,254,586</u>	<u>798,725</u>
Total net assets	<u>13,982,539</u>	<u>12,931,982</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 14,840,464</u>	<u>\$ 13,784,535</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, 2022

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions:			
Government grants (Note 7)		\$ 3,111,684	\$ 3,111,684
United Way		604,808	604,808
Other contributions	\$ 770,246	2,702,234	3,472,480
Fees and program revenue:			
Program service fees, net	782,889		782,889
Government contracts (Note 7)	625,299		625,299
Special events	996,232		996,232
Cost of direct donor benefits at special events	(89,001)		(89,001)
Other income	96,277		96,277
Total revenue	3,181,942	6,418,726	9,600,668
Net assets released from restrictions:			
Expenditures for program purposes	4,962,865	(4,962,865)	
Total	8,144,807	1,455,861	9,600,668
EXPENSES:			
Program services:			
Treatment and recovery services	3,244,747		3,244,747
Risk reduction services	2,953,556		2,953,556
Total program services	6,198,303		6,198,303
Supporting services:			
Management and general	1,349,018		1,349,018
Fundraising	1,002,790		1,002,790
Total supporting services	2,351,808		2,351,808
Total expenses	8,550,111		8,550,111
CHANGES IN NET ASSETS	(405,304)	1,455,861	1,050,557
Net assets, beginning of year	12,133,257	798,725	12,931,982
Net assets, end of year	\$ 11,727,953	\$ 2,254,586	\$ 13,982,539

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, 2021

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions:			
Government grants (Note 7)		\$ 4,093,478	\$ 4,093,478
United Way		329,287	329,287
Other contributions	\$ 872,978	1,411,541	2,284,519
Fees and program revenue:			
Program service fees, net	680,074		680,074
Government contracts (Note 7)	689,442		689,442
Special events	707,485		707,485
Other income	<u>123,085</u>		<u>123,085</u>
Total revenue	3,073,064	5,834,306	8,907,370
Net assets released from restrictions:			
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>
EXPENSES:			
Program services:			
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>
Supporting services:			
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>
CHANGES IN NET ASSETS	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.

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

Consolidated Statement of Functional Expenses for the year ended August 31, 2022

	PROGRAM SERVICES		SUPPORTING SERVICES		
	TREATMENT AND RECOVERY SERVICES	RISK REDUCTION SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Salaries	\$ 2,009,559	\$ 1,780,505	\$ 766,999	\$ 496,085	\$ 5,053,148
Benefits and payroll taxes	<u>462,965</u>	<u>411,476</u>	<u>169,585</u>	<u>107,459</u>	<u>1,151,485</u>
Total salaries and related expenses	2,472,524	2,191,981	936,584	603,544	6,204,633
Professional fees	126,934	47,576	209,429	182,170	566,109
Depreciation	146,235	207,582	23,115	10,577	387,509
Occupancy	113,621	194,888	27,099	11,201	346,809
Supplies	99,015	72,293	18,698	48,466	238,472
Participant activities and incentives	139,398	62,240			201,638
Software licensing and maintenance	40,044	41,936	31,514	17,209	130,703
Communications	47,401	38,797	13,959	10,001	110,158
Insurance	25,063	22,304	20,779	5,784	73,930
Equipment rental and maintenance	14,301	23,530	2,884	2,199	42,914
Travel	6,446	14,305	5,543	6,224	32,518
Promotions and advertising	2,358	7,308	12,887	750	23,303
Training – conferences and workshops	4,172	4,435	13,038	98	21,743
Credit card processing fees			19,022		19,022
Other	<u>7,235</u>	<u>24,381</u>	<u>14,467</u>	<u>104,567</u>	<u>150,650</u>
Total expenses	<u>\$ 3,244,747</u>	<u>\$ 2,953,556</u>	<u>\$ 1,349,018</u>	<u>\$ 1,002,790</u>	8,550,111
Cost of direct donor benefits at special events					<u>89,001</u>
Total					<u>\$ 8,639,112</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		
	TREATMENT AND RECOVERY SERVICES	RISK REDUCTION SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
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
Participant activities and incentives	9,728	25,220			34,948
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
Travel	2,475	3,164	1,974	737	8,350
Promotions and advertising		8,050	3,096	4,391	15,537
Training – conferences and workshops	3,865	3,701	2,952		10,518
Credit card processing fees			15,698		15,698
Other	<u>30,447</u>	<u>61,684</u>	<u>8,135</u>	<u>80,841</u>	<u>181,107</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 Statements of Cash Flows for the years ended August 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 1,050,557	\$ 535,207
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	387,509	371,244
Changes in operating assets and liabilities:		
Program service fees and other receivables	68,033	26,327
Prepaid expenses and other assets	21,990	(41,759)
Contributions receivable	151,803	384,456
Accounts payable and accrued expenses	146,657	39,049
Deferred revenue	(141,285)	127,301
Paycheck Protection Program refundable advance	<u> </u>	<u>(1,293,300)</u>
Net cash provided by operating activities	<u>1,685,264</u>	<u>148,525</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	<u>(91,085)</u>	<u>(133,028)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,594,179	15,497
Cash and cash equivalents, beginning of year	<u>3,231,691</u>	<u>3,216,194</u>
Cash and cash equivalents, end of year	<u>\$ 4,825,870</u>	<u>\$ 3,231,691</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, 2022 and 2021

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 its 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 (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:

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 \$184,000 and \$161,000 at August 31, 2022 and 2021, 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. 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.

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 \$557,000 and \$670,000 for the years ended August 31, 2022 and 2021, respectively. Payments received before the performance obligations are satisfied are reported as deferred revenue. At August 31, 2022, 2021 and 2020, accounts receivable from program service fees were \$13,933, \$98,818 and \$70,111, respectively. At August 31, 2022, 2021 and 2020, deferred revenue from program service fees were \$114,351, \$95,363 and \$86,793, respectively. The Council has no contract assets at August 31, 2022, 2021 and 2020.

Government contract revenue – 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, 2022, 2021 and 2020, accounts receivable from government contract revenue were \$55,410, \$41,293 and \$103,630, respectively. The Council has no contract assets or liabilities from government contract revenue at August 31, 2022, 2021 and 2020.

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 are 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>2022</u>	<u>2021</u>
Financial assets:		
Cash and cash equivalents	\$ 4,825,870	\$ 3,231,691
Program service fees and other receivables, net	81,951	149,984
Contributions receivable, net	<u>883,277</u>	<u>1,035,080</u>
Total financial assets	5,791,098	4,416,755
Less financial assets not available for general expenditure:		
Restricted by donors for use in future periods or for future projects	(1,407,600)	(122,333)
Cash equivalents restricted to support the speaker series	<u>(113,600)</u>	<u>(113,600)</u>
Total financial assets available for general expenditure	<u>\$ 4,269,898</u>	<u>\$ 4,180,822</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 has contribution commitments for fiscal year 2023 government grants totaling approximately \$3.2 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 2024. At August 31, 2022 and 2021, no balance was outstanding on this line of credit.

NOTE 3 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

	<u>2022</u>	<u>2021</u>
Demand deposits	\$ 3,796,467	\$ 2,270,668
Money market mutual funds	<u>1,029,403</u>	<u>961,023</u>
Total cash and cash equivalents	<u>\$ 4,825,870</u>	<u>\$ 3,231,691</u>

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

NOTE 4 – CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following:

	<u>2022</u>	<u>2021</u>
Government agencies	\$ 251,149	\$ 373,786
United Way	306,495	105,856
Campaign for sustainability	23,483	515,506
Other programs	<u>330,618</u>	<u>75,484</u>
Total contributions receivable	911,745	1,070,632
Allowance for uncollectible accounts	<u>(28,468)</u>	<u>(35,552)</u>
Contributions receivable, net	<u>\$ 883,277</u>	<u>\$ 1,035,080</u>

At August 31, 2022, all contributions receivable are expected to be collected within one year.

At August 31, 2022, The Council has a conditional contribution of approximately \$1 million from United Way. This commitment is conditioned upon United Way's campaign results. The contributions will be recognized as contribution revenue when the conditions are met.

At August 31, 2022, The Council has approximately \$6.7 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>2022</u>	<u>2021</u>
Land	\$ 728,359	\$ 728,359
Buildings and improvements	13,598,475	13,598,475
Furniture and equipment	<u>948,490</u>	<u>875,908</u>
Total property and equipment, at cost	15,275,324	15,202,742
Accumulated depreciation	<u>(6,341,090)</u>	<u>(5,972,084)</u>
Property and equipment, net	<u>\$ 8,934,234</u>	<u>\$ 9,230,658</u>

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specified purpose:		
Treatment and recovery services	\$ 1,808,812	\$ 80,521
Risk reduction services	204,241	54,393
Capital improvements	75,000	
Campaign for sustainability	20,233	510,506
Other	<u>32,700</u>	<u>39,705</u>
Total subject to expenditure for specified purpose	2,140,986	685,125
Not subject to appropriation or expenditure – speaker series	<u>113,600</u>	<u>113,600</u>
Total net assets with donor restrictions	<u>\$ 2,254,586</u>	<u>\$ 798,725</u>

NOTE 7 – GOVERNMENT GRANTS AND CONTRACTS

The Council is the recipient of government grants and contracts from federal and state agencies and through 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>2022</u>	<u>2021</u>
Government grants:		
Federal grants – U. S. Department of Health and Human Services	\$ 2,896,866	\$ 1,982,018
State grants – Texas Health and Human Services Commission	214,818	798,160
Paycheck Protection Program loan forgiveness		1,293,300
Other		20,000
	<u>3,111,684</u>	<u>4,093,478</u>
Total government grants		
Other government funded contracts:		
The Harris Center for Mental Health and IDD	508,489	506,606
Harris County	98,420	161,257
Other	18,390	21,579
	<u>625,299</u>	<u>689,442</u>
Total government contracts		
Total government grants and contracts	<u>\$ 3,736,983</u>	<u>\$ 4,782,920</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 \$122,000 and \$123,000 for the years ended August 31, 2022 and 2021, respectively.

NOTE 9 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 24, 2023, 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.