

**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, 2024 and 2023

# 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:

### 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, 2024 and 2023, 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, 2024 and 2023, 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. The financial statements of The Foundation for The Council on Recovery were not audited in accordance with *Government Auditing Standards*.

#### *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.

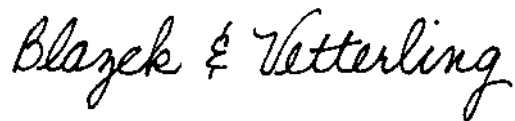
In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- 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 10, 2025 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.

The image shows a handwritten signature in black ink that reads "Blazek & Vetterling". The signature is written in a cursive, flowing style.

February 10, 2025

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

Consolidated Statements of Financial Position as of August 31, 2024 and 2023

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	<u>2024</u>	<u>2023</u>
ASSETS		
Cash	\$ 293,115	\$ 118,728
Program service fees and other receivables, net	104,004	85,218
Prepaid expenses and other assets	401,884	196,478
Contributions receivable for operations, net ( <i>Note 3</i> )	1,753,457	1,187,710
Investments ( <i>Note 4</i> ):		
Held for operations	2,578,304	3,332,266
Restricted for capital projects	250,000	
Contributions receivable restricted for capital projects ( <i>Note 3</i> )	250,000	
Property and equipment, net ( <i>Note 5</i> )	<u>8,479,888</u>	<u>8,629,704</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 14,110,652</u></b>	<b><u>\$ 13,550,104</u></b>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 366,474	\$ 325,700
Deferred revenue:		
Special events	263,910	300,167
Program service fees	147,342	159,042
Note payable ( <i>Note 6</i> )	<u>350,000</u>	
Total liabilities	<u>1,127,726</u>	<u>784,909</u>
Net assets:		
Without donor restrictions	10,501,748	10,812,611
With donor restrictions ( <i>Note 7</i> )	<u>2,481,178</u>	<u>1,952,584</u>
Total net assets	<u>12,982,926</u>	<u>12,765,195</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 14,110,652</u></b>	<b><u>\$ 13,550,104</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, 2024

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	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions:			
Government grants <i>(Note 8)</i>		\$ 3,976,541	\$ 3,976,541
United Way		545,419	545,419
Other contributions	\$ 1,026,429	1,921,105	2,947,534
Special events	1,338,979		1,338,979
Cost of direct donor benefits at special events	(146,604)		(146,604)
Program service fees, net	506,657		506,657
Net investment return	321,179		321,179
Other income	<u>192,411</u>		<u>192,411</u>
Total revenue	3,239,051	6,443,065	9,682,116
Net assets released from restrictions:			
Expenditures for program purposes	<u>5,914,471</u>	<u>(5,914,471)</u>	
Total	<u>9,153,522</u>	<u>528,594</u>	<u>9,682,116</u>
EXPENSES:			
Program services:			
Treatment and recovery services	3,888,056		3,888,056
Prevention and intervention services	<u>2,947,285</u>		<u>2,947,285</u>
Total program services	<u>6,835,341</u>		<u>6,835,341</u>
Supporting services:			
Management and general	1,516,645		1,516,645
Fundraising	<u>1,112,399</u>		<u>1,112,399</u>
Total supporting services	<u>2,629,044</u>		<u>2,629,044</u>
Total expenses	<u>9,464,385</u>		<u>9,464,385</u>
CHANGES IN NET ASSETS	(310,863)	528,594	217,731
Net assets, beginning of year	<u>10,812,611</u>	<u>1,952,584</u>	<u>12,765,195</u>
Net assets, end of year	<u>\$ 10,501,748</u>	<u>\$ 2,481,178</u>	<u>\$ 12,982,926</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, 2023

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	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>
REVENUE:			
Contributions:			
Government grants <i>(Note 8)</i>		\$ 3,604,052	\$ 3,604,052
United Way		555,419	555,419
Other contributions	\$ 791,938	810,136	1,602,074
Special events	901,007		901,007
Cost of direct donor benefits at special events	(96,390)		(96,390)
Program service fees, net	613,804		613,804
Net investment return	74,588		74,588
Other income	<u>166,430</u>		<u>166,430</u>
Total revenue	2,451,377	4,969,607	7,420,984
Net assets released from restrictions:			
Expenditures for program purposes	<u>5,271,609</u>	<u>(5,271,609)</u>	
Total	<u>7,722,986</u>	<u>(302,002)</u>	<u>7,420,984</u>
EXPENSES:			
Program services:			
Treatment and recovery services	3,527,170		3,527,170
Prevention and intervention services	<u>2,677,337</u>		<u>2,677,337</u>
Total program services	<u>6,204,507</u>		<u>6,204,507</u>
Supporting services:			
Management and general	1,523,360		1,523,360
Fundraising	<u>910,461</u>		<u>910,461</u>
Total supporting services	<u>2,433,821</u>		<u>2,433,821</u>
Total expenses	<u>8,638,328</u>		<u>8,638,328</u>
CHANGES IN NET ASSETS	(915,342)	(302,002)	(1,217,344)
Net assets, beginning of year	<u>11,727,953</u>	<u>2,254,586</u>	<u>13,982,539</u>
Net assets, end of year	<u>\$ 10,812,611</u>	<u>\$ 1,952,584</u>	<u>\$ 12,765,195</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 Functional Expenses for the year ended August 31, 2024

	PROGRAM SERVICES		SUPPORTING SERVICES		TOTAL
	TREATMENT AND RECOVERY SERVICES	PREVENTION AND INTERVENTION SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	
Salaries	\$ 2,452,247	\$ 1,712,932	\$ 791,991	\$ 545,500	\$ 5,502,670
Benefits and payroll taxes	<u>559,178</u>	<u>386,699</u>	<u>178,445</u>	<u>121,220</u>	<u>1,245,542</u>
Total salaries and related expenses	3,011,425	2,099,631	970,436	666,720	6,748,212
Professional fees	193,761	51,540	293,644	261,782	800,727
Occupancy	179,228	203,227	47,832	19,333	449,620
Depreciation	155,701	217,440	25,647	14,407	413,195
Supplies	62,729	71,382	24,792	62,876	221,779
Software licensing and maintenance	49,482	34,156	34,155	29,249	147,042
Participant activities and incentives	46,359	99,495			145,854
Travel	35,591	44,483	19,910	13,462	113,446
Communications	43,306	29,881	13,713	9,377	96,277
Insurance	34,661	23,809	24,802	7,800	91,072
Training – conferences and workshops	26,598	9,669	6,695		42,962
Promotions and advertising	3,335	17,892	8,588	50	29,865
Equipment rental and maintenance	9,713	12,746	4,073	1,375	27,907
Credit card processing fees			22,771		22,771
Other	<u>36,167</u>	<u>31,934</u>	<u>19,587</u>	<u>25,968</u>	<u>113,656</u>
Total expenses	<u>\$ 3,888,056</u>	<u>\$ 2,947,285</u>	<u>\$ 1,516,645</u>	<u>\$ 1,112,399</u>	9,464,385
Cost of direct donor benefits at special events					<u>146,604</u>
Total					<u>\$ 9,610,989</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, 2023

	PROGRAM SERVICES		SUPPORTING SERVICES		TOTAL
	TREATMENT AND RECOVERY SERVICES	PREVENTION AND INTERVENTION SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	
Salaries	\$ 2,223,010	\$ 1,550,853	\$ 691,585	\$ 434,202	\$ 4,899,650
Benefits and payroll taxes	<u>527,952</u>	<u>365,658</u>	<u>176,532</u>	<u>87,201</u>	<u>1,157,343</u>
Total salaries and related expenses	2,750,962	1,916,511	868,117	521,403	6,056,993
Professional fees	113,066	66,101	328,958	150,446	658,571
Occupancy	166,963	188,014	41,279	14,011	410,267
Depreciation	157,296	213,893	27,207	11,427	409,823
Supplies	63,491	62,843	41,948	71,000	239,282
Software licensing and maintenance	42,284	32,235	33,928	21,583	130,030
Participant activities and incentives	101,951	37,625			139,576
Travel	15,064	21,639	7,946	2,575	47,224
Communications	56,681	36,852	20,387	9,781	123,701
Insurance	30,795	22,004	23,719	5,068	81,586
Training – conferences and workshops	10,446	6,050	6,077	1,412	23,985
Promotions and advertising		26,529	10,575	290	37,394
Equipment rental and maintenance	13,480	18,161	80,243	1,932	113,816
Credit card processing fees			17,972		17,972
Other	<u>4,691</u>	<u>28,880</u>	<u>15,004</u>	<u>99,533</u>	<u>148,108</u>
Total expenses	<u>\$ 3,527,170</u>	<u>\$ 2,677,337</u>	<u>\$ 1,523,360</u>	<u>\$ 910,461</u>	8,638,328
Cost of direct donor benefits at special events					<u>96,390</u>
Total					<u>\$ 8,734,718</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, 2024 and 2023

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	<u>2024</u>	<u>2023</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Changes in net assets	\$ 217,731	\$ (1,217,344)
Adjustments to reconcile changes in net assets to net cash used by operating activities:		
Depreciation	413,195	409,823
Net realized and unrealized gain on investments	(230,393)	(961)
Contributions restricted for capital projects	(500,000)	
Changes in operating assets and liabilities:		
Program service fees and other receivables	(18,786)	(3,267)
Prepaid expenses and other assets	(205,406)	(81,346)
Contributions receivable	(565,747)	(304,433)
Accounts payable and accrued expenses	40,774	(180,872)
Deferred revenue	(47,957)	107,856
Net cash used by operating activities	<u>(896,589)</u>	<u>(1,270,544)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of investments	(2,051,577)	(2,892,620)
Proceeds from sale of investments	1,028,642	1,544,097
Net change in money market mutual funds held as investments	1,757,290	(1,982,782)
Purchases of property and equipment	<u>(263,379)</u>	<u>(105,293)</u>
Net cash provided (used) by investing activities	<u>470,976</u>	<u>(3,436,598)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from contributions restricted for capital projects	250,000	
Principal payments on note payable	(650,000)	
Proceeds from note payable	<u>1,000,000</u>	
Net cash provided by financing activities	<u>600,000</u>	
NET CHANGE IN CASH	174,387	(4,707,142)
Cash, beginning of year	<u>118,728</u>	<u>4,825,870</u>
Cash, end of year	<u>\$ 293,115</u>	<u>\$ 118,728</u>

*Supplemental disclosure of cash flow information:*

Interest paid on outstanding debt \$14,338

*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, 2024 and 2023

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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 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 lead the community in creating a path to freedom from substance abuse and related issue. 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 53 different locations in the greater Houston area through the following programs:

*Treatment and recovery services:* The Council serves as a primary access point to substance use disorder services in a 13-county region. Screening/assessment are conducted with adolescents and adults. Through this process the level of care needed is identified and counselors work with the clients to connect them to a range of services from individual, family and group therapy; outpatient and residential treatment, peer supports, sober living etc. Individual, family and group therapy and/or 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.

*Prevention and intervention:* 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, as well as fathers, 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 clients 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).

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 \$16,000 and \$2,400 at

August 31, 2024 and 2023, 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.

Investments are reported at fair value. Net investment return consists of interest and dividends, realized and unrealized gains and losses, net of external and direct internal investment management and custodial expenses.

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. No fees are charged for clients that financially qualify for the state to pay for their services. Rates for those that are able to self-pay, and/or have insurance, are set based on market studies. The Council also is able to provide financial assistance to those who cannot pay the full fee but do not qualify for state assistance. The Council also accepts Medicaid, Medicare and private insurance which means the payment rate differs from The Council's established 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 \$414,000 and \$481,000 for the years ended August 31, 2024 and 2023, respectively. Payments received before the performance obligations are satisfied are reported as deferred revenue. At August 31, 2024, 2023 and 2022, accounts receivable from program service fees were \$72,631, \$71,767 and \$13,933, respectively. At August 31, 2024, 2023 and 2022, deferred revenue from program service fees were \$147,342, \$159,042 and \$114,351, respectively. The Council has no contract assets at August 31, 2024, 2023 and 2022.

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>2024</u>	<u>2023</u>
Financial assets:		
Cash	\$ 293,115	\$ 118,728
Program service fees and other receivables, net	104,004	85,218
Contributions receivable, net	2,003,457	1,187,710
Investments	<u>2,828,304</u>	<u>3,332,266</u>
Total financial assets	5,228,880	4,723,922
Less financial assets not available for general expenditure:		
Restricted by donors for use in future periods or for future projects	(937,750)	(1,337,200)
Investments restricted for capital projects	(250,000)	
Contributions receivable restricted for capital projects	<u>(250,000)</u>	
Total financial assets available for general expenditure	<u>\$ 3,791,130</u>	<u>\$ 3,386,722</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 a \$750,000 line of credit available that expires in July 2026. At August 31, 2024, the outstanding balance on the line of credit was \$350,000.

**NOTE 3 – CONTRIBUTIONS RECEIVABLE**

Contributions receivable consist of the following:

	<u>2024</u>	<u>2023</u>
Government funded grants	\$ 1,087,555	\$ 606,187
United Way	316,489	321,489
Capital projects	250,000	
Other	<u>355,994</u>	<u>265,909</u>
Total contributions receivable	2,010,038	1,193,585
Allowance for uncollectible accounts	<u>(6,581)</u>	<u>(5,875)</u>
Contributions receivable, net	<u>\$ 2,003,457</u>	<u>\$ 1,187,710</u>

At August 31, 2024, all contributions receivable are expected to be collected within one year.

At August 31, 2024, The Council has approximately \$3.8 million of government funded conditional contributions. The contributions will be recognized as revenue when the conditions, which include incurring allowable expenses, are met. In addition, The Council has filed with the U. S. government to receive Employee Retention Credits (ERC) under the Coronavirus Aid, Relief, and Economic Security Act in the amount of approximately \$1.2 million. This federal grant is considered conditional by management because it has not received notification that the application of the credits have been approved and, therefore, these amounts have not been recognized in 2024.

#### NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

Generally accepted accounting principles require that certain assets and liabilities be reported at fair value and establish a hierarchy that prioritizes inputs used to measure fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The three levels of the fair value hierarchy are as follows:

- *Level 1* – Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the reporting date.
- *Level 2* – Inputs are other than quoted prices included in Level 1, which are either directly observable or can be derived from or corroborated by observable market data at the reporting date.
- *Level 3* – Inputs are not observable and are based on the reporting entity’s assumptions about the inputs market participants would use in pricing the asset or liability.

Assets measured at fair value at August 31, 2024 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Common stock:				
Technology	\$ 346,808			\$ 346,808
Financial services	233,616			233,616
Industrials	197,487			197,487
Healthcare	170,649			170,649
Consumer cyclical	102,756			102,756
Consumer defensive	77,198			77,198
Basic materials	63,382			63,382
Energy	53,616			53,616
Other	128,244			128,244
Corporate bonds		\$ 964,233		964,233
U. S. Treasury notes	258,946			258,946
Money market mutual funds	225,492			225,492
Government agency securities		<u>5,877</u>		<u>5,877</u>
Total assets measured at fair value	<u>\$ 1,858,194</u>	<u>\$ 970,110</u>	<u>\$ 0</u>	<u>\$ 2,828,304</u>

Assets measured at fair value at August 31, 2023 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Common stock:				
Technology	\$ 168,479			\$ 168,479
Financial services	96,362			96,362
Industrials	95,735			95,735
Healthcare	99,228			99,228
Consumer cyclical	65,500			65,500
Consumer defensive	37,889			37,889
Basic materials	34,695			34,695
Energy	30,100			30,100
Other	57,689			57,689
Corporate bonds		\$ 460,907		460,907
U. S. Treasury notes	150,992			150,992
Money market mutual funds	1,982,782			1,982,782
Government agency securities		<u>51,908</u>		<u>51,908</u>
Total assets measured at fair value	<u>\$ 2,819,451</u>	<u>\$ 512,815</u>	<u>\$ 0</u>	<u>\$ 3,332,266</u>

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

- *Common stock* and *U. S. Treasury notes* are valued using prices obtained from active market maker and inter-dealer brokers on a daily basis.
- *Corporate bonds* and *Government agency securities* are valued using prices and other relevant information generated by market transactions involving identical or comparable assets.
- *Mutual funds* are valued at the reported net asset value.

These valuation methods may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while The Council believes its valuation methods are appropriate, the use of different methods or assumptions could result in a different fair value measurement at the reporting date.

Investments are exposed to various risks such as interest rate, market and credit risks. Because of these risks, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position and statement of activities.

#### **NOTE 5 – PROPERTY AND EQUIPMENT**

Property and equipment consists of the following:

	<u>2024</u>	<u>2023</u>
Land	\$ 728,359	\$ 728,359
Buildings and improvements	13,900,613	13,645,946
Furniture and equipment	<u>989,064</u>	<u>980,352</u>
Total property and equipment, at cost	15,618,036	15,354,657
Accumulated depreciation	<u>(7,138,148)</u>	<u>(6,724,953)</u>
Property and equipment, net	<u>\$ 8,479,888</u>	<u>\$ 8,629,704</u>

#### **NOTE 6 – NOTE PAYABLE**

The Council has a \$750,000 line of credit with a bank. The line of credit bears interest at prime rate plus 0.75% (9.25% at August 31, 2024), which is due monthly. Principal is due at maturity in July 2026. At August 31, 2024 and 2023, the outstanding balance on the line of credit was \$350,000 and \$0, respectively. Interest expense totaled approximately \$14,000 in 2024.

#### **NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are restricted as follows:

	<u>2024</u>	<u>2023</u>
Subject to expenditure for specified purpose:		
Treatment and recovery services	\$ 1,951,018	\$ 1,514,934
Capital projects	520,000	20,000
Prevention and intervention services		246,678
Other	<u>10,160</u>	<u>170,972</u>
Total net assets with donor restrictions	<u>\$ 2,481,178</u>	<u>\$ 1,952,584</u>

**NOTE 8 – GOVERNMENT GRANTS**

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

	<u>2024</u>	<u>2023</u>
Federal grants:		
U. S. Department of Health and Human Services	\$ 2,667,413	\$ 2,056,360
U. S. Department of the Treasury	871,610	705,591
State grants – Texas Health and Human Services Commission	<u>437,518</u>	<u>842,101</u>
Total government grants	<u>\$ 3,976,541</u>	<u>\$ 3,604,052</u>

Pass-through 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 9 – 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 \$141,000 and \$124,000 for the years ended August 31, 2024 and 2023, respectively.

**NOTE 10 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through February 10, 2025, 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.