

EAST TEXAS COUNCIL ON ALCOHOLISM AND DRUG ABUSE

FINANCIAL STATEMENTS

AUGUST 31, 2025 AND 2024

**EAST TEXAS COUNCIL ON ALCOHOLISM AND DRUG ABUSE
FINANCIAL STATEMENTS
AUGUST 31, 2025 AND 2024**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
East Texas Council on Alcoholism and Drug Abuse
Longview, Texas

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of East Texas Council on Alcoholism and Drug Abuse (a non-profit organization) ("the Council"), which comprise the statements of financial position as of August 31, 2025 and 2024, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Council as of August 31, 2025 and 2024, and the changes in its net assets and its 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Council and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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.

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 Council's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 auditor's 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.

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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 Council's 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 Council's 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 2026, on our consideration of the Council's 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 Council's 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 Council's internal control over financial reporting and compliance.

Henry E. Peters, PC

Longview, Texas
February 13, 2026

**EAST TEXAS COUNCIL ON ALCOHOLISM AND DRUG ABUSE
STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2025 AND 2024**

ASSETS

CURRENT ASSETS	2025	2024
Cash and cash equivalents	\$ 1,348,807	\$ 1,200,756
Grants, contracts and other receivables	330,487	625,022
Prepaid expenses	45,584	28,147
Total current assets	<u>1,724,878</u>	<u>1,853,925</u>
 NONCURRENT ASSETS		
Furniture and equipment	108,440	108,440
Leasehold improvements	36,257	36,257
Vehicles	28,341	28,341
Less: accumulated depreciation	<u>(145,941)</u>	<u>(134,336)</u>
Net property and equipment	27,097	38,702
 Right-of-use operating lease assets	 305,048	 372,027
Assets held in trust	49,480	49,480
Total noncurrent assets	<u>381,625</u>	<u>460,209</u>
 Total assets	 <u>\$ 2,106,503</u>	 <u>\$ 2,314,134</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 21,796	\$ 72,114
Accrued expenses	74,379	43,634
Right-of-use operating lease liabilities	106,114	93,031
Total current liabilities	<u>202,289</u>	<u>208,779</u>
 NONCURRENT LIABILITIES		
Right-of-use operating lease liabilities, net of current portion	<u>213,743</u>	<u>298,742</u>
Total liabilities	<u>416,032</u>	<u>507,521</u>
 NET ASSETS		
Without donor restrictions	<u>1,690,471</u>	<u>1,806,613</u>
Total liabilities and net assets	<u>\$ 2,106,503</u>	<u>\$ 2,314,134</u>

The accompanying notes are an integral part of these financial statements.

**EAST TEXAS COUNCIL ON ALCOHOLISM AND DRUG ABUSE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2025**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT			
City and county support	\$ 86,538	\$ -	\$ 86,538
United Way support	-	120,524	120,524
Contributions	10,978	-	10,978
Contributions of nonfinancial assets	97,880	-	97,880
Grants	1,784,373	-	1,784,373
Fees for service	7,805	-	7,805
Interest income	15,402	-	15,402
Miscellaneous income	8,421	-	8,421
Net assets released from restrictions:			
Satisfaction of program restrictions	120,524	(120,524)	-
Total revenue and support	<u>2,131,921</u>	<u>-</u>	<u>2,131,921</u>
EXPENSES			
Assessment, recovery, and transition programs	1,470,103	-	1,470,103
Prevention programs	334,687	-	334,687
Management and general	443,273	-	443,273
Total expenses	<u>2,248,063</u>	<u>-</u>	<u>2,248,063</u>
Change in net assets	(116,142)	-	(116,142)
NET ASSETS - BEGINNING OF YEAR	<u>1,806,613</u>	<u>-</u>	<u>1,806,613</u>
NET ASSETS - END OF YEAR	<u>\$ 1,690,471</u>	<u>\$ -</u>	<u>\$ 1,690,471</u>

The accompanying notes are an integral part of these financial statements.

**EAST TEXAS COUNCIL ON ALCOHOLISM AND DRUG ABUSE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2024**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
City and county support	\$ 41,205	\$ -	\$ 41,205
United Way support	-	110,977	110,977
Contributions	99,706	-	99,706
Contributions of nonfinancial assets	112,064	-	112,064
Grants	2,253,470	-	2,253,470
Fees for service	23,537	-	23,537
Interest income	15,232	-	15,232
Miscellaneous income	16,654	-	16,654
Unrealized gain/(loss) on assets held in trust	7,612	-	7,612
Net assets released from restrictions:			
Satisfaction of program restrictions	110,977	(110,977)	-
Total revenue and support	2,680,457	-	2,680,457
EXPENSES			
Assessment, recovery, and transition programs	1,531,516	-	1,531,516
Prevention programs	677,286	-	677,286
Management and general	362,057	-	362,057
Total expenses	2,570,859	-	2,570,859
Change in net assets	109,598	-	109,598
NET ASSETS - BEGINNING OF YEAR	1,697,015	-	1,697,015
NET ASSETS - END OF YEAR	\$ 1,806,613	\$ -	\$ 1,806,613

The accompanying notes are an integral part of these financial statements.

**EAST TEXAS COUNCIL ON ALCOHOLISM AND DRUG ABUSE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2025**

	Assessment, Recovery, and Transition Programs	Prevention Programs	Management and General	Total
Salaries	\$ 624,003	\$ 147,494	\$ 343,228	\$ 1,114,725
Payroll taxes and benefits	173,608	44,131	60,041	277,780
Total salaries and related expenses	<u>797,611</u>	<u>191,625</u>	<u>403,269</u>	<u>1,392,505</u>
Travel and training	80,000	2,789	5,635	88,424
Donated travel	203	-	-	203
Supplies	60,239	4,497	2,589	67,325
Donated supplies	12,375	1,130	-	13,505
Education and training materials	-	73,223	189	73,412
Meetings, events and promotion	3,809	48	-	3,857
Media	24,157	-	-	24,157
Donated media	16,000	-	9,059	25,059
Postage	339	38	4	381
Telephone	22,980	3,990	1,935	28,905
Repairs and maintenance	72,919	9,503	1,520	83,942
Lease and rentals	104,801	21,162	153	126,116
Donated building space	42,105	10,334	-	52,439
Insurance	27,808	6,915	-	34,723
Contract labor	11,796	-	-	11,796
Professionals and consultants	9,931	6,146	14,023	30,100
Donated professional services	3,759	1,339	1,510	6,608
Dues and memberships	2,174	1,183	449	3,806
Consumer assistance	135,419	-	-	135,419
Other administrative costs	30,538	654	2,584	33,776
Total expenses before depreciation	<u>1,458,963</u>	<u>334,576</u>	<u>442,919</u>	<u>2,236,458</u>
Depreciation	11,140	111	354	11,605
Total expenses	<u>\$ 1,470,103</u>	<u>\$ 334,687</u>	<u>\$ 443,273</u>	<u>\$ 2,248,063</u>

The accompanying notes are an integral part of these financial statements.

EAST TEXAS COUNCIL ON ALCOHOLISM AND DRUG ABUSE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2024

	Assessment, Recovery, and Transition Programs	Prevention Programs	Management and General	Total
Salaries	\$ 631,874	\$ 355,295	\$ 287,693	\$ 1,274,862
Payroll taxes and benefits	190,020	104,563	60,230	354,813
Total salaries and related expenses	<u>821,894</u>	<u>459,858</u>	<u>347,923</u>	<u>1,629,675</u>
Travel and training	55,980	23,938	5,200	85,118
Donated travel	307	-	-	307
Supplies	19,065	46,606	1,266	66,937
Donated supplies	30,434	2,312	-	32,746
Education and training materials	-	39,151	274	39,425
Donated education and training materials	-	930	-	930
Meetings, events and promotion	2,114	1,153	-	3,267
Media	12,500	-	-	12,500
Donated media	12,500	-	-	12,500
Postage	254	261	-	515
Telephone	24,725	6,501	10	31,236
Repairs and maintenance	62,817	13,785	1,490	78,092
Donated repairs and maintenance	3,614	-	-	3,614
Lease and rentals	80,113	36,493	-	116,606
Donated building space	37,689	21,228	-	58,917
Insurance	22,456	12,739	-	35,195
Contract labor	2,209	-	-	2,209
Professionals and consultants	13,014	9,620	3,867	26,501
Donated professional services	1,093	714	-	1,807
Dues and memberships	1,429	754	62	2,245
Consumer assistance	280,810	-	-	280,810
Other administrative costs	35,889	1,040	1,797	38,726
Total expenses before depreciation	<u>1,520,906</u>	<u>677,083</u>	<u>361,889</u>	<u>2,559,878</u>
Depreciation	<u>10,610</u>	<u>203</u>	<u>168</u>	<u>10,981</u>
Total expenses	<u>\$ 1,531,516</u>	<u>\$ 677,286</u>	<u>\$ 362,057</u>	<u>\$ 2,570,859</u>

The accompanying notes are an integral part of these financial statements.

**EAST TEXAS COUNCIL ON ALCOHOLISM AND DRUG ABUSE
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2025 AND 2024**

CASH FLOWS FROM OPERATING ACTIVITIES	<u>2025</u>	<u>2024</u>
Change in net assets	\$ (116,142)	\$ 109,598
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	11,605	10,981
Amortization of right-of-use assets	88,094	85,009
Accretion of operating lease liabilities	(93,031)	(83,271)
Changes in assets and liabilities:		
Decrease (increase) in grants, contracts and other receivables	294,535	(269,714)
(Increase) decrease in prepaid expenses	(17,437)	13,851
(Increase) in assets held in trust	-	(8,066)
(Decrease) increase in accounts payable	(50,318)	57,102
Increase (decrease) in accrued expenses	30,745	(74,057)
Total adjustments	<u>264,193</u>	<u>(268,165)</u>
Net cash provided by (used in) operating activities	<u>148,051</u>	<u>(158,567)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of furniture and equipment	<u>-</u>	<u>(23,358)</u>
Net cash (used in) investing activities	<u>-</u>	<u>(23,358)</u>
 Net increase (decrease) in cash	148,051	(181,925)
 CASH, BEGINNING OF YEAR	<u>1,200,756</u>	<u>1,382,681</u>
 CASH, END OF YEAR	<u><u>\$ 1,348,807</u></u>	<u><u>\$ 1,200,756</u></u>
 NONCASH INVESTING AND FINANCING ACTIVITIES		
Right-of-use assets obtained in exchange for operating lease liabilities	\$ 21,115	\$ -

The accompanying notes are an integral part of these financial statements.

EAST TEXAS COUNCIL ON ALCOHOLISM AND DRUG ABUSE
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2025 AND 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF ORGANIZATION

East Texas Council on Alcoholism and Drug Abuse (“the Council”) was chartered in 1960 and serves a twenty-three county area. The Council’s programs are aimed at addressing substance abuse/misuse and trauma through prevention, assessment, recovery, and transition services by establishing confidence and developing skills for productive lifestyles. A majority of the Council’s support is derived from federal and state grants.

BASIS OF ACCOUNTING

The accompanying financial statements of the Council have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

BASIS OF PRESENTATION

The Council follows the guidance provided in the Financial Accounting Standard Board (“FASB”) Accounting Standards Codification (“ASC”) 958, Not-for-Profit-Entities, in preparing its financial statements. The standard requires that net assets, revenues, expenses, gains and losses be classified based on the existence or absence of donor-imposed restrictions. Net assets of the Council, and changes therein, are classified and reported as follows:

Net assets without donor restrictions – net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Council.

Net assets with donor restrictions – net assets subject to stipulations imposed by donors and grantors. The restrictions are temporary in nature; those restrictions will be met by actions of the Council or by passage of time.

Revenues are reported as increases in net assets without donor restrictions unless use of the related asset is limited by donor-imposed restrictions. Expirations of donor-imposed restrictions are reported as reclassifications between the applicable classes of net assets. Expenses are reported as decreases in net assets without donor restrictions.

CASH AND CASH EQUIVALENTS

For purposes of the Statement of Cash Flows, the Council considers all unrestricted, highly liquid investments with an original maturity of three months or less to be cash equivalents. At times, certain cash deposits may be restricted by contract or donor and may only be expended in accordance with such restrictions.

PREPAID EXPENSES

Prepaid expenses include general liability, directors and officers, and workers' compensation insurance premiums, as well as software license agreement costs. These prepaid premiums and fees are amortized over the estimated length of their related policies or contracts and are recognized as costs. Also included in prepaid expenses are conference and event registrations.

FURNITURE AND EQUIPMENT

All acquisitions of furniture and equipment and all expenditures that materially prolong the useful lives of assets that exceed a capitalization threshold of \$5,000 are capitalized. Purchased furniture and equipment are capitalized at cost. Donations of furniture and equipment are recorded as contributions of nonfinancial assets at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Depreciation expense is computed using the straight-line method over the estimated useful lives as determined by the American Hospital Association Estimated Useful Lives of Depreciable Hospital Assets. The Council has depreciable assets with estimated useful lives ranging from 5 – 15 years.

EAST TEXAS COUNCIL ON ALCOHOLISM AND DRUG ABUSE
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2025 AND 2024
CONTINUED

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

FURNITURE AND EQUIPMENT - CONTINUED

Carrying values of property and equipment are reviewed for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended August 31, 2025 and 2024.

ASSETS HELD IN TRUST

The Council chooses to directly reimburse the state for actual unemployment claims through its participation in the Unemployment Services Trust (“Trust”) rather than participate in the state-rated tax system for unemployment. The Trust is a revocable grantor trust that provides unemployment benefits for eligible employees of participating nonprofit employers. The Trust reimburses the state for benefits paid to former employees of the participating employers. The assets held in the trust are restricted to the payment unemployment claims and related administrative expenses. As such, these assets are not available for the general operations of the Council.

The assets are reported at fair value. FASB ASC 820, *Fair Value Measurements and Disclosure* establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value. The hierarchy gives the highest priority to quoted prices in active markets for identical assets and liabilities (Level 1). Assets with quoted prices for similar assets or liabilities are considered Level 2, and the assets given the lowest priority in the fair value hierarchy are Level 3 assets which have unobservable inputs or are supported by little to no market activity.

The Trust assets are invested in a diversified portfolio that provides a balance of modest growth and capital preservation through investment in various mutual funds and exchange traded funds that share those investment strategies. For the years ended August 31, 2025, and 2024, all investments are considered to be Level 2 investments based on quoted market prices of similar assets. There have been no changes in the methodologies used at August 31, 2025, or 2024.

The methodologies used by the Council for assets measured at fair value may produce a fair value calculation that may not be indicative of net realization value or reflective of future fair values. Furthermore, while the Council believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Changes in the fair value of these assets are recognized in the statements of activities within unrealized gain (loss) on assets held in trust in the period they occur.

DONATED ASSETS AND SERVICES

Contributions of non-financial assets are recorded at their fair value in the period received. Contributions of donated services that create or enhance non-financial assets, or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

EAST TEXAS COUNCIL ON ALCOHOLISM AND DRUG ABUSE
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2025 AND 2024
CONTINUED

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

DONATED ASSETS AND SERVICES - CONTINUED

In addition, the Organization receives donated services from unpaid volunteers who assist in carrying out the operations of certain grants. Volunteer service hours that did not meet the criteria of FASB ASC 958-605-15, *Revenue Recognition – Contributions Made*, have not been reflected in the financial statements. In the current year, management has estimated the value of volunteer services for the Criminal Victim Assistance – Operation Turnaround Program (also known as VOCA) to be \$46,347.

ACCRUED EXPENSES

Accrued expenses include payroll, payroll taxes, employee benefits, and employee vacation payable. These amounts are primarily related to wages earned but not yet paid prior to year-end. Employees become eligible for accrued vacation after one year of service, with a maximum of 80 allowable hours.

REVENUE RECOGNITION

Grants and contribution revenue

The Council receives state and federal funding to administer its programs primarily from the U.S. Department of Health and Human services. These grants are generally awarded on or before September 1st and are reimbursing grants.

Grants are accounted for under ASC 958 as conditional nonexchange transactions. As such, the Council will record revenue once grant compliance requirements have been satisfied and the proceeds are considered to be earned. In addition, certain grants have matching requirements. In-kind contributions are reported as contributions of nonfinancial assets as they are generally donated goods, services, or office space for grant programs and are recorded at the time of service or use, therefore the restrictions have been satisfied. See Note 4.

Advance payments related to grants for which the eligibility criteria or performance obligation have not been met are recorded as deferred revenue.

In accordance with ASC 958, contributions are recorded when cash or an unconditional promise to give is received. Contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions depending on the existence or nature of any donor restrictions.

Fee for service revenue

Fee for service revenue represents fees charged for counseling services for recovery, transition, and prevention of substance abuse and other victim services. Fee for service revenue falls within the scope of FASB ASC 606 Revenue from Contracts with Customers and is generally recognized when the performance obligation is met at the point of service. The Council maintains receivables for services rendered. An allowance for credit losses is established through a provision for bad debts charged to expense and represents management’s best estimate of loss within the accounts receivable portfolio. As of August 31, 2025 and 2024, an allowance for credit losses was not considered necessary to properly reflect the realizable value of accounts receivable.

The beginning and ending accounts receivable were as follows:

	2025	2024	2023
Accounts receivable	\$ -	\$ 1,302	\$ 3,415

EAST TEXAS COUNCIL ON ALCOHOLISM AND DRUG ABUSE
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2025 AND 2024
CONTINUED

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

REVENUE RECOGNITION - CONTINUED

Fee for service revenue - continued

The Council's fee for service revenue is interdependent upon the federal and state funding for the programs offered as well as local government and agency support.

ADVERTISING COSTS

Advertising costs are expensed as incurred and totaled \$49,216 and \$25,000 during the years ended August 31, 2025 and 2024, respectively.

LEASES

The Council's lease disclosures as of and for the year ended August 31, 2025 and 2024 are reported under Accounting Standards Update (ASU) 2016-02, Leases (Topic 842) ("ASC 842"). The Council primarily leases office spaces from third parties. The Council determines if a contract is a lease at inception. A contract contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The lease term begins on the commencement date, which is the date the Council takes possession of the asset and may include options to extend or terminate the lease when it is reasonably certain that the option will be exercised. Leases are classified as operating or finance leases based on factors such as the lease term, lease payments, and the economic life, fair value, and estimated residual value of the asset. Where leases include options to purchase the leased asset at the end of the lease term, this is assessed as part of the Council's lease classification determination.

Right-of-use ("ROU") assets represent the Council's right to use an underlying asset for the lease term and the lease liabilities represent the Council's obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized on the commencement date based on the present value of lease payments over the lease term. Lease expense is recognized on a straight-line basis over the lease term. The depreciable life of the ROU assets is limited by the lease term unless the Council is reasonably certain of transfer of title or purchase option.

The Council elected to use a risk-free rate as the discount rate for all office space leases.

FUNCTIONAL ALLOCATION OF EXPENSES

The Council allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program or support service are allocated according to their natural expenditure classification. The expenses that are allocated are based on direct salaries, wages, and fringe benefits within the individual programs.

ESTIMATES

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

EAST TEXAS COUNCIL ON ALCOHOLISM AND DRUG ABUSE
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2025 AND 2024
CONTINUED

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

INCOME TAX STATUS

The Council is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and, therefore, has no provision for federal income tax. The Council is subject to income tax on net income that is derived from business activities that are unrelated to our exempt purposes. However, the Council has determined that it has no income from unrelated business activities and therefore has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the Internal Revenue Service.

The Council's tax returns, Form 990 Return of Organization Exempt from Income Tax, are subject to examination by the Internal Revenue Service, generally three years after they are filed. The Council does not believe there are any material uncertain tax positions, and, accordingly, will not recognize any liability for unrecognized tax benefits.

NOTE 2 – FURNITURE AND EQUIPMENT

The book value of furniture and equipment on August 31, 2025 and 2024 is as follows:

	2025	2024
Furniture and equipment	\$ 108,440	\$ 108,440
Leasehold improvements	36,257	36,257
Vehicles	28,341	28,341
Less: accumulated depreciation	(145,941)	(134,336)
Total	\$ 27,097	\$ 38,702

Depreciation expense was \$11,605 and \$10,981 for the years ended August 31, 2025 and 2024, respectively.

NOTE 3 – LIQUIDITY

The Council has \$1,679,294 and \$1,825,778 at August 31, 2025 and 2024, respectively of financial assets available within one year of the balance sheet date to meet cash needs for general expenditure, which are comprised of cash and cash equivalents, and grants, contracts and other receivables. The Council has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 4 – CONTRIBUTIONS OF NONFINANCIAL ASSETS

The Council received gifts-in-kind for the years ended August 31, 2025 and 2024 as follows:

	2025	2024
Supplies and materials	\$ 11,920	\$ 33,108
Professional services	37,890	19,461
Building lease	48,070	59,495
	\$ 97,880	\$ 112,064

The Council's policy related to gifts-in-kind is to utilize the assets given to carry out the mission of the Council.

EAST TEXAS COUNCIL ON ALCOHOLISM AND DRUG ABUSE
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2025 AND 2024
CONTINUED

NOTE 4 – CONTRIBUTIONS OF NONFINANCIAL ASSETS - CONTINUED

The Council received reduced-cost supplies and materials with an estimated fair market value of \$11,920 and \$33,108 for the years ended August 31, 2025 and 2024, respectively. The supplies and materials were utilized to provide program services to its various participants.

The Council was provided services at a reduced cost in order to provide program services and to satisfy grantor and donor entity requirements. Based on current year market rates for professional accounting, information technology, and consulting, the Council would have paid an additional \$84,236 and \$19,461 for the years ended August 31, 2025 and 2024, respectively.

The Council received donated rental facilities with an estimated fair market value of \$48,070 and \$59,495 for the years ended August 31, 2025 and 2024, respectively. The facilities were utilized to provide program services to its various participants.

NOTE 5 – RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Council has various non-cancellable and renewable operating leases for office facilities with remaining maturities through 2028. The Council leases their corporate office under an operating lease, typically with initial terms of 5 years plus a renewable option for an additional 5 years. In 2025, the Council began leasing additional office space under an operating lease with a term of approximately 3 years.

Long-term leases of office equipment assessed by the Council as being insignificant are not recorded on the statement of financial position. This accounting policy produces operating results that do not differ materially from the guidance of ASC 842, Leases.

The Council’s operating right-of-use assets totaled \$305,048 and \$372,027 for the years ended August 31, 2025 and 2024, respectively. The related lease liability totaled \$319,857 and \$391,773 for the years ended August 31, 2025 and 2024, respectively.

As of August 31, 2025, the Council’s weighted-average remaining right-of-use operating lease term is 2.94 years. The weighted-average right-of-use operating lease discount rate is 3.63%.

Additional supplemental information regarding assumptions for operating leases as of August 31, 2025 is as follows:

	2025	2024
<u>Lease and rental expenses (included in operating expenses):</u>		
Operating lease cost	\$ 105,265	\$ 99,944
Short-term or insignificant lease cost	20,851	16,662
Total lease and rental expenses	\$ 126,116	\$ 116,606
 <u>Other Information:</u>		
Cash paid for amounts included in measuring operating lease liabilities:	2025	2024
Operating cash flows from operating leases	\$ 109,314	\$ 98,205

EAST TEXAS COUNCIL ON ALCOHOLISM AND DRUG ABUSE
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2025 AND 2024
CONTINUED

NOTE 5 – RIGHT-OF-USE ASSETS AND LEASE LIABILITIES - CONTINUED

The following table summarizes the maturity of the lease liabilities under operating leases as of August 31, 2025:

2026	115,522
2027	115,522
2028	<u>105,767</u>
Total lease payments	336,811
Less: interest	<u>(16,954)</u>
Present value of lease liabilities	<u>\$ 319,857</u>

NOTE 6 – EMPLOYEE BENEFIT PLAN

The Council provides two retirement programs for its employees. The first, a tax-sheltered annuity plan (“Plan”), is available to each permanent employee, at their option, and allows the employees to contribute a portion of their salary to the Plan. This Plan represents no additional cost to the Council. The second, a simplified employee pension plan (“SEP”), allows for discretionary employer contributions. For the years ended August 31, 2025 and 2024, the Council elected to contribute two percent of each eligible employee's annual salary. During the years ended August 31, 2025 and 2024, the Council contributed \$13,053 and \$14,665, respectively, to the SEP. SEP contributions vest immediately to the employees.

NOTE 7 – NET ASSETS DESIGNATED FOR CONTINGENCIES

The Council's Board of Directors has designated net assets in the amount of \$821,296 for the years ended August 31, 2025 and 2024, for contingencies related to future funding of its various programs. The Board of Directors has established this designation based upon an estimate of three months' fixed operating expenses, including its obligation under facility lease agreements.

NOTE 8 – CONCENTRATIONS OF CREDIT RISK

The Council has concentrated its credit risk for cash by maintaining deposits in banks located within the same geographic region. At August 31, 2025 and 2024, and periodically throughout the years then ended, the Council has maintained balances in operating and investment accounts that at times were in excess of federally insured limits. However, board policy does not restrict management to maintain balances below federally insured limits. The stability of financial institutions is monitored by the Council and it is the opinion of the Council that the solvency of the financial institution is not a concern at this time.

NOTE 9 – CONTINGENCIES

The Council participates in various federal and state grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Any liability for reimbursement which may arise as a result of these audits is not believed to be material.

NOTE 10 – ECONOMIC DEPENDENCE

The continued viability of the Council is dependent upon grant funding and similar awards, which was approximately 92 percent and 94 percent of total revenue and support for the years ended August 31, 2025 and 2024, respectively. The additional support is obtained by the conveyance of in-kind donations and other support. The Council’s financial viability is integrally related to the East Texas area economy and resulting contributions.

EAST TEXAS COUNCIL ON ALCOHOLISM AND DRUG ABUSE
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2025 AND 2024
CONTINUED

NOTE 11 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 13, 2026, the date on which the financial statements were available to be issued.

FEDERAL AWARDS



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors
East Texas Council on Alcoholism and Drug Abuse
Longview, Texas

We have audited, in accordance with the 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, the financial statements of East Texas Council on Alcoholism and Drug Abuse (a nonprofit organization) ("the Council") which comprise the statement of financial position as of August 31, 2025, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 13, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Council's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Council's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Council's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Henry & Peters, PC

Longview, Texas
February 13, 2026



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors
East Texas Council on Alcoholism and Drug Abuse
Longview, Texas

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited East Texas Council on Alcoholism and Drug Abuse's ("the Council") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the Council's major federal program for the year ended August 31, 2025. The Council's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Council complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended August 31, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Council and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Council's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Council's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Council's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable

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user of the report on compliance about the Council's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Council's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Council's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Henry E. Peters, PC

Longview, Texas
February 13, 2026



**EAST TEXAS COUNCIL ON ALCOHOLISM AND DRUG ABUSE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2025**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	_____ Yes <u> X </u> No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	_____ Yes <u> X </u> None reported
Noncompliance material to financial statements noted?	_____ Yes <u> X </u> No

Federal Awards

Internal Control over major programs:	
Material weakness(es) identified?	_____ Yes <u> X </u> No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	_____ Yes <u> X </u>

Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 20.516(a)?	_____ Yes <u> X </u> No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
93.959	Block Grants for Prevention and Treatment of Substance Abuse

Dollar threshold used to distinguish between Type A and Type B programs:	\$ <u> 750,000</u>
Auditee qualified as low-risk auditee?	<u> X </u> Yes _____ No

Section II - Findings Required to be Reported by *Government Auditing Standards*

No matters requiring reporting were noted.

Section III - Findings Required to be Reported by the Uniform Guidance

No matters requiring reporting were noted.

**EAST TEXAS COUNCIL ON ALCOHOLISM AND DRUG ABUSE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2024**

There are no prior audit findings to report.

**EAST TEXAS COUNCIL ON ALCOHOLISM AND DRUG ABUSE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2025**

Federal Grantor/ Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Pass-Through Texas Health and Human Services Commission:			
Block Grants for Prevention and Treatment of Substance Abuse:	93.959 +		
Prevention Resource Center (PRC)		HHS000539700243	\$ 237,000
Recovery Support Services (RSS)		HHS000130500002	<u>145,765</u>
			382,765
Total Pass-Through Texas Health and Human Services Commission			<u>382,765</u>
Pass-Through The University of Texas Health Science Center At Tyler:			
Anderson & Cherokee Counties Opioid Response (RSS-ANCHOR)	93.912	6055-SC23-02	<u>90,020</u>
Total Pass-Through The University of Texas Health Science Center At Tyler			<u>90,020</u>
Pass-Through The University of Texas Health Science Center At San Antonio:			
Recovery Support Services (RSS-TTOR)	93.788	HHS00154500001	<u>98,311</u>
Total Pass-Through The University of Texas Health Science Center At San Antonio			<u>98,311</u>
Pass-Through The University of Texas At Austin:			
Substance Abuse Innovative Healing Center	93.959 +	HHS001190300001	<u>228,562</u>
Total U.S. Department of Health and Human Services			<u>799,658</u>
U.S. Department of Justice			
Crime Victim Assistance	16.575		
Operation Turnaround (VOCA-OT) FY24		3341407	11,754
Operation Turnaround (VOCA-OT) FY25		3341408	<u>211,414</u>
Total U.S. Department of Justice			<u>223,168</u>
Texas Workforce Commission			
Temporary Assistance for Needy Families (TANF)	93.558		
Foster Youth Project		0824TAN002	14,102
Foster Youth Project		0825TAN002	<u>121,711</u>
Total Texas Workforce Commission			<u>135,813</u>
Total Federal Financial Assistance			<u>\$ 1,158,639</u>

+ Denotes major program

**EAST TEXAS COUNCIL ON ALCOHOLISM AND DRUG ABUSE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2025**

NOTE 1 – GENERAL

The accompanying Schedule of Expenditures of Federal Awards (“Schedule”) includes the federal award activity of East Texas Council on Alcoholism and Drug Abuse (“the Council”) for the year ended August 31, 2025. The Council’s reporting entity is defined in Note 1 to the Council’s basic financial statements. Federal award activity passed through other government agencies as well as federal award activity passed through other non-federal entities is included on the Schedule.

NOTE 2 – BASIS OF PRESENTATION

The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (“CFR”) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”). Because the Schedule presents only a selected portion of the operations of the Council, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Council.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance.

NOTE 4 – INDIRECT COST RATE

For indirect costs, the amounts expended are claimed as an indirect cost recovery using an approved cost allocation plan. The Council does not qualify to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.