The Children's Assessment Center Foundation

Financial Statements
and Independent Auditors' Report
for the years ended February 28, 2019 and 2018

The Children's Assessment Center Foundation

Table of Contents

Blazek & Vetterling

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To the Board of Directors of
The Children's Assessment Center Foundation:

Report on the Financial Statements

We have audited the accompanying financial statements of The Children's Assessment Center Foundation, which comprise the statements of financial position as of February 28, 2019 and 2018 and the related statements of activities, of functional expenses, and of cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform our audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Children's Assessment Center Foundation as of February 28, 2019 and 2018 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.

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Adoption of New Accounting Standard

As discussed in Note 2 to the financial statements, The Children's Assessment Center Foundation adopted the amendments of Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities,* as of and for the year ended February 28, 2019. These amendments have been applied on a retrospective basis to the financial statements as of and for the year ended February 28, 2018, except that certain information has been omitted as permitted by the ASU. Our opinion is not modified with respect to this matter.

Report Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2019 on our consideration of The Children's Assessment Center Foundation'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 Children's Assessment Center Foundation'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 Children's Assessment Center Foundation's internal control over financial reporting and compliance.

Blazek & Vetterling

June 17, 2019

The Children's Assessment Center Foundation

Statements of Financial Position as of February 28, 2019 and 2018

	2019	2018
ASSETS		
Cash and cash equivalents	$ 3,161,606	$ 2,738,482
Contributions and grants receivable *(Note 5)*	5,075,907	2,209,067
Prepaid expenses and other assets	321,816	132,469
Investments *(Note 4)*	1,500,077	
Endowment investments	50,071	50,000
Property and equipment, net *(Note 6)*	38,682,706	40,075,770
TOTAL ASSETS	$ 48,792,183	$ 45,205,788
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued liabilities	$ 76,108	$ 110,258
Deferred revenue	89,947	161,266
Note payable		1,470,000
Total liabilities	166,055	1,741,524
Commitments and contingencies *(Note 10)*		
Net assets:		
Without donor restrictions *(Note 7)*	42,991,771	40,920,154
With donor restrictions *(Notes 8 and 9)*	5,634,357	2,544,110
Total net assets	48,626,128	43,464,264
TOTAL LIABILITIES AND NET ASSETS	$ 48,792,183	$ 45,205,788

See accompanying notes to financial statements.

The Children's Assessment Center Foundation

Statement of Activities for the year ended February 28, 2019

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
OPERATING REVENUE:			
Government grants *(Notes 5 and 12)*		$ 6,033,931	$ 6,033,931
Contributions *(Note 5)*	$ 1,526,747	667,912	2,194,659
Special events	1,749,487		1,749,487
Direct donor benefit costs	(379,267)		(379,267)
Usage fees	2,321,004		2,321,004
Total operating revenue	5,217,971	6,701,843	11,919,814
Net assets released from restrictions:			
Program expenditures	3,611,653	(3,611,653)	
Total	8,829,624	3,090,190	11,919,814
OPERATING EXPENSES:			
Support of The Children's Assessment Center:			
Forensic services	1,372,226		1,372,226
Therapy and psychological services	1,282,786		1,282,786
Other program services	1,302,850		1,302,850
Management and general	671,622		671,622
Fundraising	544,013		544,013
Total operating expenses	5,173,497		5,173,497
CHANGES IN NET ASSETS FROM OPERATIONS	3,656,127	3,090,190	6,746,317
Non-operating activities:			
Investment income	1,587	57	1,644
Depreciation	(1,586,097)		(1,586,097)
CHANGES IN NET ASSETS	2,071,617	3,090,247	5,161,864
Net assets, beginning of year	40,920,154	2,544,110	43,464,264
Net assets, end of year	$ 42,991,771	$ 5,634,357	$ 48,626,128

See accompanying notes to financial statements.

The Children's Assessment Center Foundation

Statement of Activities for the year ended February 28, 2018

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
OPERATING REVENUE:			
Government grants *(Notes 5 and 12)*		$ 1,516,036	$ 1,516,036
Contributions *(Note 5)*	$ 612,877	732,944	1,345,821
Special events	315,891		315,891
Direct donor benefit costs	(121,677)		(121,677)
Usage fees	1,637,563		1,637,563
Total operating revenue	2,444,654	2,248,980	4,693,634
Net assets released from restrictions:			
Program expenditures	3,378,442	(3,378,442)	
Total	5,823,096	(1,129,462)	4,693,634
OPERATING EXPENSES:			
Support of The Children's Assessment Center	3,736,260		3,736,260
Management and general	367,815		367,815
Fundraising	338,197		338,197
Total operating expenses	4,442,272		4,442,272
CHANGES IN NET ASSETS FROM OPERATIONS	1,380,824	(1,129,462)	251,362
Non-operating activities:			
Contributions for capital campaign	345,336	354,064	699,400
Government grants for capital campaign	7,574	52,107	59,681
Investment income	1,313	305	1,618
Depreciation	(1,086,039)		(1,086,039)
Net assets released from restrictions:			
Capital expenditures	7,899,345	(7,899,345)	
CHANGES IN NET ASSETS	8,548,353	(8,622,331)	(73,978)
Net assets, beginning of year *(Note 2)*	32,371,801	11,166,441	43,538,242
Net assets, end of year	$ 40,920,154	$ 2,544,110	$ 43,464,264

See accompanying notes to financial statements.

The Children's Assessment Center Foundation

Statement of Functional Expenses for the year ended February 28, 2019

	SUPPORT OF THE CHILDREN'S ASSESSMENT CENTER	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Salaries and benefits	$ 3,214,070	$ 499,346	$ 264,699	$ 3,978,115
Professional fees and services	376,585	11,080	48,458	436,123
Supplies	127,791	84,971	163,070	375,832
Insurance	105,132	17,533	5,517	128,182
Meals for donors and volunteers	22,889	1,818	26,777	51,484
Travel	30,231	2,574	5,303	38,108
Conferences	35,382	1,188	199	36,769
Accounting fees		35,020		35,020
Information technology	13,780	5,687	15,210	34,677
Occupancy	28,020	1,200	780	30,000
Dues and contributions to other organizations	3,982	11,205	14,000	29,187
Total operating expenses	3,957,862	671,622	544,013	5,173,497
Depreciation	1,481,802	62,575	41,720	1,586,097
Total expenses	$ 5,439,664	$ 734,197	$ 585,733	6,759,594
Direct donor benefit costs				379,267
Total				$ 7,138,861

See accompanying notes to financial statements.

The Children’s Assessment Center Foundation

Statement of Functional Expenses for the year ended February 28, 2018

	SUPPORT OF THE CHILDREN’S ASSESSMENT CENTER	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Salaries and benefits	$ 2,804,513	$ 221,337	$ 204,965	$ 3,230,815
Professional fees and services	641,877	27,908	35,354	705,139
Supplies	71,694	47,203	63,584	182,481
Insurance	146,173	19,531	4,642	170,346
Meals for donors and volunteers	20,971	3,997	8,605	33,573
Travel	14,970	32	993	15,995
Conferences	14,218	1,130		15,348
Accounting fees		37,820		37,820
Information technology	16,544	5,757	13,538	35,839
Dues and contributions to other organizations	5,300	3,100	6,516	14,916
Total operating expenses	3,736,260	367,815	338,197	4,442,272
Depreciation	1,009,995	43,420	32,624	1,086,039
Total expenses	$ 4,746,255	$ 411,235	$ 370,821	5,528,311
Direct donor benefit costs				121,677
Total				$ 5,649,988

See accompanying notes to financial statements.

The Children's Assessment Center Foundation

Statements of Cash Flows for the years ended February 28, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	$ 5,161,864	$ (73,978)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Gain on investments	(254)	
Depreciation	1,586,097	1,086,039
Contributions restricted for capital improvements		(406,171)
Interest income designated for capital improvements		(305)
Changes in operating assets and liabilities:		
Contributions and grants receivable	(2,866,840)	776,244
Prepaid expenses and other assets	(189,346)	(13,904)
Accounts payable and accrued liabilities	(34,151)	(121,352)
Deferred revenue	(71,319)	77,116
Net cash provided by operating activities	3,586,051	1,323,689
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(1,598,013)	
Proceeds from sales of investments	5,308	
Net change in money market funds	42,812	
Purchases of property and equipment	(193,034)	(4,186,616)
Net cash used by investing activities	(1,742,927)	(4,186,616)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from note payable		2,320,000
Repayment of note payable	(1,470,000)	(850,000)
Proceeds from contributions restricted for capital improvements		705,790
Net cash provided (used) by financing activities	(1,470,000)	2,175,790
NET CHANGE IN CASH AND CASH EQUIVALENTS	373,124	(687,137)
Cash and cash equivalents, beginning of year	2,788,482	3,475,619
Cash and cash equivalents, end of year	$ 3,161,606	$ 2,788,482

See accompanying notes to financial statements.

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization – The Children's Assessment Center Foundation (the Assessment Center), a Texas nonprofit corporation, was established in January 1995 to support Harris County, Texas (the County) in its operation of The Children's Assessment Center (the Center). The Center's mission is to provide a professional, compassionate and coordinated approach to the treatment of sexually abused children and their families and to serve as an advocate for all children in our community.

The Assessment Center's initial capital campaign raised $10.8 million to construct and operate a facility designed specifically to meet the unique needs of the Center's program. Construction of the facility began in July 1996, and the facility was completed in March 1998. The Assessment Center subsequently began the Restoring Hope, Rebuilding Lives Capital Campaign. Funds raised during this campaign were used to expand the Center's campus in order to better prevent and treat child sexual abuse. The expanded facility was opened in 2017.

Since October 1995, the Center has functioned as a separate department of the County. In January 2002, the County and the Assessment Center signed a partnership agreement pursuant to which the County and the Assessment Center jointly agreed to an annual operating budget and the expenses to be shared by each. This agreement was amended in November 2003 to provide that the County shall owe an annual fee (the usage fee) to the Assessment Center for that portion of the property used by the County based on the lease value of that portion of the property.

Federal income tax status – The Assessment Center is exempt from income tax under §501(c)(3) of the Internal Revenue Code and is further classified as a supporting organization under §509(a)(3).

Cash and cash equivalents include highly liquid investments with original maturities of 90 days or less and money market mutual funds that are available for current use. At times, bank deposits exceed the federally insured limit per depositor per institution.

Contributions and grants 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 to estimate the present value of future cash flows.

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 expenses.

Property and equipment is reported at cost, if purchased, or at fair value at the date of gift, if donated. Depreciation is calculated using the straight-line method over estimated useful lives of 3 to 40 years. The Center capitalizes additions and improvements that have a tangible future economic life and cost more than $5,000.

In September 2012, land was deeded at no cost to the Assessment Center by the County to be used as the site for the Assessment Center's facility until December 2052. At that time, title to the land, building and all improvements will be required to be transferred to the County. The value attributed to the land in 2012 was $5,965,681. The land, building and improvements are being depreciated on a straight-line basis through December 2052.

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. Donor-restricted endowment earnings are released when those earnings are appropriated in accordance with spending policies and are used for the stipulated purpose.

Grants and contributions are recognized as revenue at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are classified as restricted support. Conditional contributions are recognized in the same manner when the conditions are substantially met.

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

For the years ended February 28, 2019 and 2018, individuals volunteered approximately 4,019 hours and 3,722 hours, valued at $102,203 and $89,852, respectively, in the Children's Services Program. No amounts were recognized in the financial statements because the services did not meet the criteria for recognition under generally accepted accounting principles.

Contributed goods received by the Assessment Center which will not be used for the Assessment Center's interests are considered agency transactions, and as such are not recorded in the Assessment Center's financial statements.

Usage fees are recognized as revenue when the related services are provided.

Functional allocation of expenses – Expenses are reported by their functional classification as program services or supporting activities. 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 program or supporting activities are allocated among the activities benefitted. Salaries and related costs are allocated on the basis of estimated time and effort expended. Depreciation of building and improvements and occupancy costs are allocated based on square footage. Information technology costs are allocated based on computer counts.

Operating measure – The operating activities of the Assessment Center include all current income and expenses related to carrying out its mission. Non-operating activities reflect contributions of a permanent nature to be used by the Assessment Center to generate returns that will support operations, contributions restricted for capital improvements, investment returns in excess of amounts budgeted for current operations, and depreciation of buildings and equipment used to support operations.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts reported as revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

Recent financial accounting pronouncement – In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this ASU clarify and improve current guidance about whether a transfer of assets (or the reduction, settlement, or cancellation of liabilities) is a contribution or an exchange transaction and provide additional guidance on determining whether a contribution is conditional or unconditional. This ASU could impact the timing of revenue recognition and the financial statement disclosures related to such transactions. The Assessment Center is required to apply the amendments in its February 29, 2020 financial statements. The amendments should be applied on a modified prospective basis, but retrospective application also is permitted. Management has not determined the eventual method of adoption of the ASU or the impact on the financial statements.

NOTE 2 – ADOPTION OF ACCOUNTING STANDARDS UPDATE 2016-14

The Assessment Center adopted the amendments of ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities,* as of and for the year ended February 28, 2019. These amendments have been applied on a retrospective basis to the financial statements for the year ended February 28, 2018, except that information regarding liquidity and availability of resources has been omitted as permitted by the ASU. Adoption of this ASU resulted in reclassification of previously reported activities and net assets to conform to the 2019 presentation but had no impact on total net assets or total changes in net assets for 2018.

NOTE 3 – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of February 28, 2019 are comprised of the following:

Financial assets as of February 28, 2019:	
Cash and cash equivalents	$ 3,161,606
Contributions and grants receivable	5,075,907
Investments	1,550,148
Total financial assets	9,787,661
Less financial assets not available for general expenditure:	
Board-designated investments	1,500,077
Contributions and grants receivable due in more than one year	1,208,120
Endowment investments	50,071
Total financial assets available for general expenditure	$ 7,029,393

Management defines general expenditures as normal and recurring operating expenses to the operations of the Assessment Center. Based upon management's assessment of future liquidity needs, sufficient assets are available to ensure payment of general expenditures in advance of grant reimbursements. In addition, the Assessment Center has created a board-designated Special Use Fund ($1.5 million at February 28, 2019), which may be drawn upon as necessary with Board approval. Although the Assessment Center does not intend to utilize special use funds, other than those funds appropriated for general expenditures as part of the Assessment Center's annual budget approval and appropriation process, amounts from the Special Use Fund remain available to the Assessment Center, if necessary.

NOTE 4 – 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 February 28, 2019 are as follows:

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Corporate bonds		$ 1,543,099		$ 1,543,099
Money market mutual funds	$ 7,049			7,049
Total assets measured at fair value	$ 7,049	$ 1,543,099	$ 0	$ 1,550,148

Assets measured at fair value at February 28, 2018 are as follows:

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Money market mutual funds:				
Restricted for investment in property and equipment	$ 50,000			$ 50,000
Total assets measured at fair value	$ 50,000	$ 0	$ 0	$ 50,000

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

- *Corporate bonds* are valued using prices obtained from independent quotation bureaus that use computerized valuation formulas which may include market-corroborated inputs for credit risk factors, interest rate and yield curves, and broker quotes to calculate fair values.
- *Mutual funds* are valued at the reported daily 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 Assessment Center 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.

NOTE 5 – CONTRIBUTIONS AND GRANTS RECEIVABLE

Contributions and grants receivable consist of the following:

	2019	2018
Contributions and grants receivable	$ 5,113,278	$ 2,217,530
Discount to net present value at 1.89% to 2.65%	(37,371)	(8,463)
Total contributions and grants receivable	$ 5,075,907	$ 2,209,067

Contributions and grants receivable at February 28, 2019 are expected to be collected as follows:

Within one year	$ 3,905,158
In one to five years	1,208,120
Total contributions and grants receivable	$ 5,113,278

Concentrations – In 2019, receivables from two grantors totaled approximately $4,800,000 or 95% of contributions and grants receivable. In 2018, receivables from two grantors totaled approximately $1,796,000 or 81% of contributions and grants receivable. Grants from two grantors totaled approximately $5,900,000 and $1,363,000 or 98% and 90% of government grant revenue for the years ended February 28, 2019 and 2018, respectively. Contributions from two donors represented approximately $1,000,000 or 28% of contributions for the year ended February 28, 2019.

Related parties – At February 28, 2019, approximately $167,000 of outstanding contributions and grants receivable were with parties related to various Board members. At February 28, 2018, approximately $266,000 of outstanding contributions and grants receivable were with parties related to various Board members.

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	2019	2018
Land	$ 5,965,681	$ 5,965,681
Building and building improvements	40,730,557	40,499,247
Furniture and equipment	1,726,829	1,915,418
Total property and equipment, at cost	48,423,067	48,380,346
Accumulated depreciation	(9,740,361)	(8,304,576)
Property and equipment, net	$ 38,682,706	$ 40,075,770

NOTE 7 – NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions are comprised of the following:

	2019	2018
Property and equipment, net	$ 38,682,706	$ 40,075,770
Undesignated	2,808,988	844,384
Board-designated long-term fund	1,500,077	
Total net assets without restrictions	$ 42,991,771	$ 40,920,154

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	2019	2018
Subject to expenditure for a specified purpose:		
Programs of the Assessment Center	$ 4,549,804	$ 1,664,678
Harris County Youth Collective	925,339	689,389
Digital recording system	109,143	140,043
Total subject to expenditure for specified purpose	5,584,286	2,494,110
Endowments:		
Subject to spending policy and appropriation:		
General endowment to support operations	50,071	50,000
Total net assets with donor restrictions	$ 5,634,357	$ 2,544,110

NOTE 9 – ENDOWMENT FUNDS

The Assessment Center's endowment consists of a donor-restricted fund to support programs.

Return Objective and Risk Parameters

The current investment policy and investment objective of the Assessment Center is preservation of capital while maintaining an investment yield reasonable for the current interest rate environment. All of the investable assets of the Assessment Center shall be invested in short-term, investment-grade, taxable, and fixed-income investments. These investments may include taxable money market mutual funds and other taxable short-term investments. These assets are intended to maximize the investment yield at the lowest level of risk.

Spending Policy

Net assets with donor restrictions represent donor-restricted gifts that have been received in association with the prior capital and endowment campaign. The goal of the endowment portion of the campaign is to leave the original corpus of the fund intact and, after an initial period, use the earned income to supplement the needs of the Assessment Center.

Changes in the donor-restricted endowment fund are as follows:

	WITH DONOR RESTRICTIONS		
	ACCUMULATED NET INVESTMENT RETURN	REQUIRED TO BE MAINTAINED IN PERPETUITY	TOTAL
Endowment net assets, February 28, 2017	$ 0	$ 50,000	$ 50,000
Endowment net assets, February 28, 2018		50,000	50,000
Net investment return	71		71
Endowment net assets, February 28, 2019	$ 71	$ 50,000	$ 50,071

NOTE 10 – COMMITMENTS AND CONTINGENCIES

All funds expended in conjunction with government grants are subject to audit by governmental agencies. In the opinion of management, any liability resulting from an audit would not have a material impact on the Assessment Center's financial position, changes in net assets or cash flows.

NOTE 11 – LINE OF CREDIT

In February 2015, the Assessment Center secured a bank line of credit to provide for unrestricted borrowings up to $8,400,000 for purposes of expanding the existing facility. Borrowings bear interest at 1.75% over the 30-day LIBOR rate. Interest only is due and payable monthly. Beginning March 2018, principal payments were also due monthly. The line was paid in full during the year ended February 28, 2019 and is no longer outstanding.

NOTE 12 – GOVERNMENT CONTRACTS

The Assessment Center is a party to contracts with federal, state, and local governmental agencies. Should these contracts not be renewed, a replacement for this source of support may not be forthcoming and related expenses would not be incurred. Sources of significant federal and state grants received as direct and pass-through funding include the following:

	2019	2018
Federal grants:		
U. S. Department of Justice	$ 5,120,990	$ 501,270
U. S. Department of Housing and Urban Development	50,000	111,487
U. S. Department of Health and Human Services	2,726	
Total federal grants	5,173,716	612,757
State grants:		
Texas Office of the Attorney General	860,215	903,279
Total government grants	$ 6,033,931	$ 1,516,036

NOTE 13 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 17, 2019, 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.