

The Children's Assessment Center Foundation

Financial Statements
and Independent Auditors' Report
for the years ended February 29, 2020 and February 28, 2019

The Children's Assessment Center Foundation

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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 29, 2020 and February 28, 2019 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 29, 2020 and February 28, 2019 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.

Report Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 10, 2020 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 10, 2020

The Children's Assessment Center Foundation

Statements of Financial Position as of February 29, 2020 and February 28, 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and cash equivalents	\$ 6,470,435	\$ 3,161,606
Contributions and grants receivable (Note 5)	1,601,963	5,075,907
Prepaid expenses and other assets	77,829	321,816
Investments (Note 4)	1,559,024	1,500,077
Endowment investments	50,322	50,071
Property and equipment, net (Note 6)	<u>37,420,471</u>	<u>38,682,706</u>
TOTAL ASSETS	<u>\$ 47,180,044</u>	<u>\$ 48,792,183</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued liabilities	\$ 187,304	\$ 76,108
Deferred revenue	<u>69,600</u>	<u>89,947</u>
Total liabilities	<u>256,904</u>	<u>166,055</u>
Commitments and contingencies (Note 10)		
Net assets:		
Without donor restrictions (Note 7)	44,467,455	42,991,771
With donor restrictions (Notes 8 and 9)	<u>2,455,685</u>	<u>5,634,357</u>
Total net assets	<u>46,923,140</u>	<u>48,626,128</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 47,180,044</u>	<u>\$ 48,792,183</u>

See accompanying notes to financial statements.

The Children's Assessment Center Foundation

Statement of Activities for the year ended February 29, 2020

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
OPERATING REVENUE:			
Government grants (Notes 5 and 12)	\$ 648,988	\$ 117,660	\$ 766,648
Contributions (Note 5)	1,605,717	1,081,766	2,687,483
Special events	399,554		399,554
Direct donor benefit costs	(193,242)		(193,242)
Usage fees	<u>2,761,000</u>		<u>2,761,000</u>
Total operating revenue	5,222,017	1,199,426	6,421,443
Net assets released from restrictions:			
Program expenditures	<u>4,378,350</u>	<u>(4,378,350)</u>	
Total	<u>9,600,367</u>	<u>(3,178,924)</u>	<u>6,421,443</u>
OPERATING EXPENSES:			
Support of The Children's Assessment Center:			
Forensic services	1,689,295		1,689,295
Therapy and psychological services	1,520,324		1,520,324
Other program services	2,447,863		2,447,863
Management and general	470,141		470,141
Fundraising	<u>438,604</u>		<u>438,604</u>
Total operating expenses	<u>6,566,227</u>		<u>6,566,227</u>
CHANGES IN NET ASSETS FROM OPERATIONS	3,034,140	(3,178,924)	(144,784)
Non-operating activities:			
Investment income	57,532	252	57,784
Loss on disposal of assets	(25,210)		(25,210)
Depreciation	<u>(1,590,778)</u>		<u>(1,590,778)</u>
CHANGES IN NET ASSETS	1,475,684	(3,178,672)	(1,702,988)
Net assets, beginning of year	<u>42,991,771</u>	<u>5,634,357</u>	<u>48,626,128</u>
Net assets, end of year	<u>\$ 44,467,455</u>	<u>\$ 2,455,685</u>	<u>\$ 46,923,140</u>

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	<u>2,321,004</u>		<u>2,321,004</u>
Total operating revenue	5,217,971	6,701,843	11,919,814
Net assets released from restrictions:			
Program expenditures	<u>3,611,653</u>	<u>(3,611,653)</u>	
Total	<u>8,829,624</u>	<u>3,090,190</u>	<u>11,919,814</u>
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	<u>544,013</u>		<u>544,013</u>
Total operating expenses	<u>5,173,497</u>		<u>5,173,497</u>
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	<u>(1,586,097)</u>		<u>(1,586,097)</u>
CHANGES IN NET ASSETS	2,071,617	3,090,247	5,161,864
Net assets, beginning of year	<u>40,920,154</u>	<u>2,544,110</u>	<u>43,464,264</u>
Net assets, end of year	<u>\$ 42,991,771</u>	<u>\$ 5,634,357</u>	<u>\$ 48,626,128</u>

See accompanying notes to financial statements.

The Children's Assessment Center Foundation

Statement of Functional Expenses for the year ended February 29, 2020

	SUPPORT OF THE CHILDREN'S ASSESSMENT CENTER	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Salaries and benefits	\$ 4,596,720	\$ 349,213	\$ 332,151	\$ 5,278,084
Professional fees and services	430,429	20,522	16,547	467,498
Supplies	105,116	18,379	61,201	184,696
Dues and contributions to other organizations	161,714	7,000	1,150	169,864
Insurance	105,300	17,436	2,827	125,563
Travel	91,065	883	974	92,922
Conferences	69,037	985	6,673	76,695
Meals for donors and volunteers	41,311	9,703	5,534	56,548
Information technology	27,657	7,119	11,057	45,833
Accounting fees		37,920		37,920
Occupancy	<u>29,133</u>	<u>981</u>	<u>490</u>	<u>30,604</u>
Total operating expenses	5,657,482	470,141	438,604	6,566,227
Depreciation	<u>1,514,421</u>	<u>50,905</u>	<u>25,452</u>	<u>1,590,778</u>
Total expenses	<u>\$ 7,171,903</u>	<u>\$ 521,046</u>	<u>\$ 464,056</u>	8,157,005
Direct donor benefit costs				<u>193,242</u>
Total				<u>\$ 8,350,247</u>

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
Dues and contributions to other organizations	3,982	11,205	14,000	29,187
Insurance	105,132	17,533	5,517	128,182
Travel	30,231	2,574	5,303	38,108
Conferences	35,382	1,188	199	36,769
Meals for donors and volunteers	22,889	1,818	26,777	51,484
Information technology	13,780	5,687	15,210	34,677
Accounting fees		35,020		35,020
Occupancy	<u>28,020</u>	<u>1,200</u>	<u>780</u>	<u>30,000</u>
Total operating expenses	3,957,862	671,622	544,013	5,173,497
Depreciation	<u>1,481,802</u>	<u>62,575</u>	<u>41,720</u>	<u>1,586,097</u>
Total expenses	<u>\$ 5,439,664</u>	<u>\$ 734,197</u>	<u>\$ 585,733</u>	6,759,594
Direct donor benefit costs				<u>379,267</u>
Total				<u>\$ 7,138,861</u>

See accompanying notes to financial statements.

The Children's Assessment Center Foundation

Statements of Cash Flows for the years ended February 29, 2020 and February 28, 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ (1,702,988)	\$ 5,161,864
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Gain on investments	(19,398)	(254)
Depreciation	1,590,778	1,586,097
Changes in operating assets and liabilities:		
Contributions and grants receivable	3,473,944	(2,866,840)
Prepaid expenses and other assets	243,987	(189,346)
Accounts payable and accrued liabilities	111,196	(34,151)
Deferred revenue	<u>(20,347)</u>	<u>(71,319)</u>
Net cash provided by operating activities	<u>3,677,172</u>	<u>3,586,051</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments		(1,598,013)
Proceeds from sales of investments	305,503	5,308
Net change in money market funds	(345,302)	42,812
Purchases of property and equipment	<u>(328,544)</u>	<u>(193,034)</u>
Net cash used by investing activities	<u>(368,343)</u>	<u>(1,742,927)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of note payable		<u>(1,470,000)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	3,308,829	373,124
Cash and cash equivalents, beginning of year	<u>3,161,606</u>	<u>2,788,482</u>
Cash and cash equivalents, end of year	<u>\$ 6,470,435</u>	<u>\$ 3,161,606</u>

See accompanying notes to financial statements.

The Children's Assessment Center Foundation

Notes to Financial Statements for the years ended February 29, 2020 and February 28, 2019

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. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Discount amortization is included in contribution revenue.

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 at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are classified in net assets with donor restrictions. Contributions received with donor stipulations that limit their use are recorded without donor restriction if the restriction and condition are met in the same period.

A portion of the Assessment Center's revenue is derived from cost reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Assessment Center has incurred expenditures in compliance with specific contract or grant provisions. The Assessment Center received cost-reimbursable conditional grants of approximately \$756,660 that have not been recognized at February 29, 2020 because qualifying expenditures have not been incurred.

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 29, 2020 and February 28, 2019, individuals volunteered approximately 3,397 hours and 4,019 hours, valued at \$86,380 and \$102,203, 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.

Fundraising event revenue is the total amount paid by sponsors and attendees of an event and includes elements of both contributions and exchange transactions. Fundraising event revenue is recognized when an event occurs. Donor benefits provided at fundraising events represent the cost of goods and services provided to attendees of an event. Deferred fundraising event revenue represents payments received for events scheduled to occur in a subsequent fiscal year.

Usage fees are recognized at the point in time when the related services are provided. At February 29, 2020, there are contract liabilities of approximately \$3,000. There are no contract assets or liabilities at February 28, 2019 or 2018.

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 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.

NOTE 2 – ADOPTION OF ACCOUNTING STANDARDS

Effective March 1, 2019, the Assessment Center adopted the guidance in Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers*. The core principle of this new guidance is that an entity should recognize revenue in an amount that reflects the consideration to which it expects to be entitled in exchange for transferred goods or services using a 5-step process to determine when performance obligations are satisfied, and revenue is recognized. Also, effective March 1, 2019, the Assessment Center adopted the guidance in Accounting Standards Update 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which clarifies the distinction between contributions and exchange transactions and between conditional and unconditional contributions. These amendments have been applied on a prospective basis. The prior period impact was not determined and therefore is not reflected in net assets as of February 28, 2019.

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 29, 2020 and February 28, 2019 are comprised of the following:

	<u>2020</u>	<u>2019</u>
Financial assets:		
Cash and cash equivalents	\$ 6,470,435	\$ 3,161,606
Contributions and grants receivable	1,601,963	5,075,907
Investments	<u>1,609,346</u>	<u>1,550,148</u>
Total financial assets	<u>9,681,744</u>	<u>9,787,661</u>
Less financial assets not available for general expenditure:		
Board-designated investments	4,059,024	1,500,077
Contributions and grants receivable due in more than one year	25,000	1,208,120
Endowment investments	<u>50,322</u>	<u>50,071</u>
Total financial assets available for general expenditure	<u>\$ 5,547,398</u>	<u>\$ 7,029,393</u>

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 (\$4 million at February 29, 2020), which may be drawn upon as necessary with Board of Director's (the 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 29, 2020 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Corporate bonds		\$ 1,256,993		\$ 1,256,993
Money market mutual funds	\$ 352,353			352,353
Total assets measured at fair value	<u>\$ 352,353</u>	<u>\$ 1,256,993</u>	<u>\$ 0</u>	<u>\$ 1,609,346</u>

Assets measured at fair value at February 28, 2019 are as follows:

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

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:

	<u>2020</u>	<u>2019</u>
Contributions and grants receivable	\$ 1,602,769	\$ 5,113,278
Discount to net present value at 1.89% to 2.65%	<u>(806)</u>	<u>(37,371)</u>
Total contributions and grants receivable	<u>\$ 1,601,963</u>	<u>\$ 5,075,907</u>

Contributions and grants receivable at February 29, 2020 are expected to be collected as follows:

Within one year	\$ 1,577,769
In one to five years	<u>25,000</u>
Total contributions and grants receivable	<u>\$ 1,602,769</u>

Concentrations – In 2020, receivables from two grantors totaled approximately \$1,429,000 or 89% of contributions and grants receivable. In 2019, receivables from two grantors totaled approximately \$4,800,000 or 95% of contributions and grants receivable. Grants from two grantors totaled approximately \$679,000 and \$5,900,000 or 88% and 98% of government grant contributions for the years ended February 29, 2020 and 2019, 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 29, 2020, approximately \$117,500 of outstanding contributions and grants receivable were with parties related to various Board members. At February 28, 2019, approximately \$167,000 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:

	<u>2020</u>	<u>2019</u>
Land	\$ 5,965,681	\$ 5,965,681
Building and building improvements	40,770,258	40,730,557
Furniture and equipment	<u>1,948,667</u>	<u>1,726,829</u>
Total property and equipment, at cost	48,684,606	48,423,067
Accumulated depreciation	<u>(11,264,135)</u>	<u>(9,740,361)</u>
Property and equipment, net	<u>\$ 37,420,471</u>	<u>\$ 38,682,706</u>

NOTE 7 – NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions are comprised of the following:

	<u>2020</u>	<u>2019</u>
Property and equipment, net	\$ 37,420,471	\$ 38,682,706
Undesignated	2,987,960	2,808,988
Board-designated long-term fund	<u>4,059,024</u>	<u>1,500,077</u>
Total net assets without restrictions	<u>\$ 44,467,455</u>	<u>\$ 42,991,771</u>

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose:		
Programs of the Assessment Center	\$ 1,379,213	\$ 4,549,804
Harris County Youth Collective	930,788	925,339
Digital recording system	<u>95,363</u>	<u>109,143</u>
Total subject to expenditure for specified purpose	2,405,364	5,584,286
Endowments:		
Subject to spending policy and appropriation:		
General endowment to support operations	<u>50,322</u>	<u>50,071</u>
Total net assets with donor restrictions	<u>\$ 2,455,686</u>	<u>\$ 5,634,357</u>

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, 2018	\$ 0	\$ 50,000	\$ 50,000
Net investment return	71		71
Endowment net assets, February 28, 2019	71	50,000	50,071
Net investment return	251		251
Endowment net assets, February 29, 2020	\$ 322	\$ 50,000	\$ 50,322

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:

	<u>2020</u>	<u>2019</u>
Federal grants:		
U. S. Department of Justice	\$ 109,294	\$ 5,120,990
U. S. Department of Housing and Urban Development	48,525	50,000
U. S. Department of Health and Human Services	<u> </u>	<u>2,726</u>
Total federal grants	<u>157,819</u>	<u>5,173,716</u>
State grants:		
Texas Office of the Attorney General	<u>608,829</u>	<u>860,215</u>
Total government grants	<u>\$ 766,648</u>	<u>\$ 6,033,931</u>

NOTE 13 – SUBSEQUENT EVENTS

On March 11, 2020, the Director-General of the World Health Organization declared a pandemic related to the global outbreak of the new coronavirus COVID-19 and on March 13, 2020, a national emergency was declared in the United States. The Assessment Center has postponed its annual luncheon, which has historically provided a significant portion of the Assessment Center's annual support without donor restrictions.

The extent of the impact of COVID-19 on the Assessment Center's operational and financial performance will depend on developments such as the duration and spread of the outbreak, impact on clients, donors, employees, and vendors all of which are uncertain and cannot be predicted. Therefore, while the Assessment Center expects this matter to negatively impact its operating results and financial position, the financial impact cannot be reasonably estimated at this time.

Management has evaluated subsequent events through June 10, 2020, which is the date that the financial statements were available for issuance. As a result of this evaluation, no other events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.