

The Children's Assessment Center Foundation

Financial Statements
and Independent Auditors' Report
for the seven months ended September 30, 2022
and the year ended February 28, 2022

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 Audit of the Financial Statements

Opinion

We have audited the financial statements of The Children's Assessment Center Foundation, which comprise the statements of financial position as of September 30, 2022 and February 28, 2022, and the related statements of activities, of functional expenses, and of cash flows for the seven months ended September 30, 2022 and the year ended February 28, 2022, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Children's Assessment Center Foundation as of September 30, 2022 and February 28, 2022, and the changes in its net assets and its cash flows for the seven months ended September 30, 2022 and the year ended February 28, 2022 in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

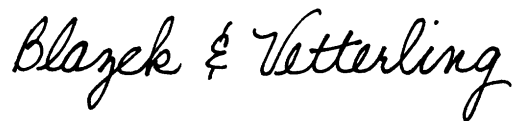
In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Children's Assessment Center Foundation'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 Children's Assessment Center Foundation'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.

Report Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2023 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.



January 18, 2023

The Children's Assessment Center Foundation

Statements of Financial Position as of September 30, 2022 and February 28, 2022

	SEPTEMBER 30, <u>2022</u>	FEBRUARY 28, <u>2022</u>
ASSETS		
Cash	\$ 7,486,083	\$ 6,410,037
Contributions and grants receivable (Note 4)	294,216	909,516
Prepaid expenses and other assets	119,981	51,114
Investments (Note 3)	2,600,487	3,051,322
Endowment investments (Notes 3, 7 and 8)	51,389	51,355
Property and equipment, net (Note 5)	<u>33,421,832</u>	<u>34,368,376</u>
TOTAL ASSETS	<u>\$ 43,973,988</u>	<u>\$ 44,841,720</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued liabilities	\$ 20,819	\$ 22,510
Deferred revenue – usage fees	10,274	665,036
Deferred revenue – special events	<u>1,667</u>	<u>79,933</u>
Total liabilities	<u>32,760</u>	<u>767,479</u>
Commitments and contingencies (Note 9)		
Net assets:		
Without donor restrictions (Note 6)	43,695,447	43,901,200
With donor restrictions (Notes 7 and 8)	<u>245,781</u>	<u>173,041</u>
Total net assets	<u>43,941,228</u>	<u>44,074,241</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 43,973,988</u>	<u>\$ 44,841,720</u>

See accompanying notes to financial statements.

The Children's Assessment Center Foundation

Statement of Activities for the seven months ended September 30, 2022

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
OPERATING REVENUE:			
Government grants <i>(Notes 4 and 10)</i>	\$ 2,397,168		\$ 2,397,168
Contributions <i>(Note 4)</i>	474,008	\$ 272,311	746,319
Special events	236,597		236,597
Direct donor benefit costs	(86,357)		(86,357)
Usage fees	<u>1,748,260</u>		<u>1,748,260</u>
Total operating revenue	4,769,676	272,311	5,041,987
Net assets released from restrictions:			
Program expenditures	<u>199,605</u>	<u>(199,605)</u>	
Total	<u>4,969,281</u>	<u>72,706</u>	<u>5,041,987</u>
OPERATING EXPENSES:			
Support of The Children's Assessment Center:			
Therapy and psychological services	1,265,071		1,265,071
Forensic services	940,648		940,648
Other program services	1,245,234		1,245,234
Management and general	387,560		387,560
Fundraising	<u>299,548</u>		<u>299,548</u>
Total operating expenses	<u>4,138,061</u>		<u>4,138,061</u>
CHANGES IN NET ASSETS FROM OPERATIONS	831,220	72,706	903,926
Non-operating activities:			
Investment income	(76,019)	34	(75,985)
Depreciation	<u>(960,954)</u>		<u>(960,954)</u>
CHANGES IN NET ASSETS	(205,753)	72,740	(133,013)
Net assets, beginning of year	<u>43,901,200</u>	<u>173,041</u>	<u>44,074,241</u>
Net assets, end of year	<u>\$ 43,695,447</u>	<u>\$ 245,781</u>	<u>\$ 43,941,228</u>

See accompanying notes to financial statements.

The Children's Assessment Center Foundation

Statement of Activities for the year ended February 28, 2022

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
OPERATING REVENUE:			
Government grants (<i>Notes 4 and 10</i>)	\$ 4,195,515		\$ 4,195,515
Contributions (<i>Note 4</i>)	1,057,397	\$ 173,250	1,230,647
Special events	281,560		281,560
Direct donor benefit costs	(49,765)		(49,765)
Usage fees	<u>2,217,223</u>		<u>2,217,223</u>
Total operating revenue	7,701,930	173,250	7,875,180
Net assets released from restrictions:			
Program expenditures	<u>2,009,509</u>	<u>(2,009,509)</u>	
Total	<u>9,711,439</u>	<u>(1,836,259)</u>	<u>7,875,180</u>
OPERATING EXPENSES:			
Support of The Children's Assessment Center:			
Therapy and psychological services	1,842,835		1,842,835
Forensic services	1,697,524		1,697,524
Other program services	3,827,901		3,827,901
Management and general	702,851		702,851
Fundraising	<u>420,716</u>		<u>420,716</u>
Total operating expenses	<u>8,491,827</u>		<u>8,491,827</u>
CHANGES IN NET ASSETS FROM OPERATIONS	1,219,612	(1,836,259)	(616,647)
Non-operating activities:			
Investment income	(36,585)	30	(36,555)
Depreciation	<u>(1,673,901)</u>		<u>(1,673,901)</u>
CHANGES IN NET ASSETS	(490,874)	(1,836,229)	(2,327,103)
Net assets, beginning of year	<u>44,392,074</u>	<u>2,009,270</u>	<u>46,401,344</u>
Net assets, end of year	<u>\$ 43,901,200</u>	<u>\$ 173,041</u>	<u>\$ 44,074,241</u>

See accompanying notes to financial statements.

The Children's Assessment Center Foundation

Statement of Functional Expenses for the seven months ended September 30, 2022

	SUPPORT OF THE CHILDREN'S ASSESSMENT CENTER	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Salaries and benefits	\$ 3,045,872	\$ 213,877	\$ 247,622	\$ 3,507,371
Professional fees and services	149,133	100,756	1,313	251,202
Insurance	87,062	15,658	1,494	104,214
Supplies	78,328	7,725	13,177	99,230
Information technology	16,961	453	24,632	42,046
Accounting fees		40,500		40,500
Dues and contributions to other organizations	17,977		5,905	23,882
Meals for donors and volunteers	7,485	6,010	4,766	18,261
Occupancy	17,038	481	303	17,822
Conferences	15,550	1,339		16,889
Travel	<u>15,547</u>	<u>761</u>	<u>336</u>	<u>16,644</u>
Total operating expenses	3,450,953	387,560	299,548	4,138,061
Depreciation	<u>914,337</u>	<u>27,199</u>	<u>19,418</u>	<u>960,954</u>
Total expenses	<u>\$ 4,365,290</u>	<u>\$ 414,759</u>	<u>\$ 318,966</u>	5,099,015
Direct donor benefit costs				<u>86,357</u>
Total				<u>\$ 5,185,372</u>

See accompanying notes to financial statements.

The Children's Assessment Center Foundation

Statement of Functional Expenses for the year ended February 28, 2022

	SUPPORT OF THE CHILDREN'S ASSESSMENT CENTER	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Salaries and benefits	\$ 5,372,055	\$ 390,296	\$ 354,327	\$ 6,116,678
Professional fees and services	388,539	170,080	18,515	577,134
Insurance	123,795	19,139	2,372	145,306
Supplies	97,162	55,457	21,788	174,407
Information technology	36,093	9,530	10,907	56,530
Accounting fees		36,025		36,025
Dues and contributions to other organizations	1,256,546	8,628		1,265,174
Meals for donors and volunteers	11,474	10,564	3,350	25,388
Occupancy	29,077	855	611	30,543
Conferences	45,089	600	8,838	54,527
Travel	<u>8,430</u>	<u>1,677</u>	<u>8</u>	<u>10,115</u>
Total operating expenses	7,368,260	702,851	420,716	8,491,827
Depreciation	<u>1,592,717</u>	<u>47,371</u>	<u>33,813</u>	<u>1,673,901</u>
Total expenses	<u>\$ 8,960,977</u>	<u>\$ 750,222</u>	<u>\$ 454,529</u>	10,165,728
Direct donor benefit costs				<u>49,765</u>
Total				<u>\$ 10,215,493</u>

See accompanying notes to financial statements.

The Children's Assessment Center Foundation

Statements of Cash Flows for the seven months ended September 30, 2022 and the year ended February 28, 2022

	SEPTEMBER 30, <u>2022</u>	FEBRUARY 28, <u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ (133,013)	\$ (2,327,103)
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Loss on investments	166,819	162,009
Depreciation	960,954	1,673,901
Changes in operating assets and liabilities:		
Contributions and grants receivable	615,300	(88,646)
Prepaid expenses and other assets	(68,867)	25,672
Accounts payable and accrued liabilities	(1,691)	(62,805)
Deferred revenue – usage fees	(654,762)	146,738
Deferred revenue – special events	<u>(78,266)</u>	<u>(63,538)</u>
Net cash provided (used) by operating activities	<u>806,474</u>	<u>(533,772)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of investments	318,163	1,325,170
Net change in cash held in investments	(34,181)	(38,193)
Purchases of property and equipment	<u>(14,410)</u>	<u>(55,773)</u>
Net cash provided by investing activities	<u>269,572</u>	<u>1,231,204</u>
NET CHANGE IN CASH	1,076,046	697,432
Cash, beginning of year	<u>6,410,037</u>	<u>5,712,605</u>
Cash, end of year	<u>\$ 7,486,083</u>	<u>\$ 6,410,037</u>

See accompanying notes to financial statements.

The Children's Assessment Center Foundation

Notes to Financial Statements for the seven months ended September 30, 2022 and the year ended February 28, 2022

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 federal income tax under §501(c)(3) of the Internal Revenue Code and is further classified as a supporting organization under §509(a)(3).

Cash – 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 or fair value of 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 are 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. Grants and contributions received with donor stipulations that limit their use are classified as *net assets with donor restrictions*. Grants and 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. Conditional contributions are subject to one or more barriers that must be overcome before the Assessment Center is entitled to receive or retain funding. Conditional contributions are recognized as revenue at fair value when the conditions have been met. Funding received before conditions are met is reported as refundable advances.

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.

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.

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 service is provided. 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 seven months ended September 30, 2022 and the year ended February 28, 2022, individuals volunteered approximately 532 hours and 96 hours, valued at \$15,933 and \$2,733, 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.

Special events revenue is the total amount paid by sponsors and attendees of an event and includes elements of both contributions and exchange transactions. Special events revenue is recognized when an event occurs. Direct donor benefit costs represent the cost of goods and services provided to attendees of an event. Deferred special events revenue represents payments received for events scheduled to occur in a subsequent fiscal year.

Usage fees revenue is recorded to recognize the lease value of the County's utilization of the Assessment Center facility. On a monthly basis, the Assessment Center reconciles grant funds received and payable to the County, in relation to usage fees owed by the County to the Assessment Center. Deferred usage fees revenue reflects the County's facility obligation to the Assessment Center, awaiting a federal and state grant funding offset.

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 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 – 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 September 30, 2022 and February 28, 2022 comprise the following:

	SEPTEMBER 30, <u>2022</u>	FEBRUARY 28, <u>2022</u>
Financial assets:		
Cash	\$ 7,486,083	\$ 6,410,037
Contributions and grants receivable	294,216	909,516
Other assets	8,736	
Investments	<u>2,651,876</u>	<u>3,102,677</u>
Total financial assets	<u>10,440,911</u>	<u>10,422,230</u>
Less financial assets not available for general expenditure:		
Board-designated cash and investments	(7,631,749)	(7,703,671)
Endowment investments	<u>(51,389)</u>	<u>(51,355)</u>
Total financial assets available for general expenditure	<u>\$ 2,757,773</u>	<u>\$ 2,667,204</u>

Management defines general expenditures as normal and recurring operating expenses required for 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 (\$7.6 million at September 30, 2022), which may be drawn upon as necessary with Board of Directors’ (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 its annual budget approval and appropriation process, amounts from the Special Use Fund remain available to the Assessment Center, if necessary.

NOTE 3 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

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

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

Assets measured at fair value at September 30, 2022 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Corporate bonds	<u> </u>	<u>\$ 2,359,635</u>	<u> </u>	<u>\$ 2,359,635</u>
Total assets measured at fair value	<u>\$ 0</u>	<u>\$ 2,359,635</u>	<u>\$ 0</u>	2,359,635
Cash held in investments				<u>292,241</u>
Total investments				<u>\$ 2,651,876</u>

Assets measured at fair value at February 28, 2022 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Corporate bonds	<u> </u>	<u>\$ 2,844,617</u>	<u> </u>	<u>\$ 2,844,617</u>
Total assets measured at fair value	<u>\$ 0</u>	<u>\$ 2,844,617</u>	<u>\$ 0</u>	2,844,617
Cash held in investments				<u>258,060</u>
Total investments				<u>\$ 3,102,677</u>

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. This valuation method 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 method is appropriate, the use of different methods or assumptions could result in a different fair value measurement at the reporting date.

NOTE 4 – CONTRIBUTIONS AND GRANTS RECEIVABLE

Contributions and grants receivable consist of the following:

	<u>SEPTEMBER 30,</u> <u>2022</u>	<u>FEBRUARY 28,</u> <u>2022</u>
Contributions and grants receivable	\$ 334,216	\$ 949,516
Allowance for uncollectible contributions	<u>(40,000)</u>	<u>(40,000)</u>
Contributions and grants receivable, net	<u>\$ 294,216</u>	<u>\$ 909,516</u>

Contributions and grants receivable at September 30, 2022 are expected to be collected as follows:

Receivable in less than one year	\$ 324,216
Receivable in one to five years	<u>10,000</u>
Total contributions receivable	<u>\$ 334,216</u>

Concentrations – In the seven months ended September 30, 2022, receivables from one grantor totaled approximately \$210,000 or 62% of contributions and grants receivable. In the year ended February 28, 2022, receivables from two grantors totaled approximately \$871,000 or 96% of contributions and grants receivable. Grants from two grantors totaled approximately \$2,280,000 and \$4,070,000 or 95% and 97% of government grant contributions for the seven months ended September 30, 2022 and the year ended February 28, 2022, respectively.

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>SEPTEMBER 30,</u> <u>2022</u>	<u>FEBRUARY 28,</u> <u>2022</u>
Land	\$ 5,965,681	\$ 5,965,681
Building and building improvements	40,826,864	40,826,864
Furniture and equipment	<u>2,101,423</u>	<u>2,087,708</u>
Total property and equipment, at cost	48,893,968	48,880,253
Accumulated depreciation	<u>(15,472,136)</u>	<u>(14,511,877)</u>
Property and equipment, net	<u>\$ 33,421,832</u>	<u>\$ 34,368,376</u>

NOTE 6 – NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions are comprised of the following:

	SEPTEMBER 30, <u>2022</u>	FEBRUARY 28, <u>2022</u>
Property and equipment, net	\$ 33,421,832	\$ 34,368,376
Undesignated	2,641,866	1,829,153
Board-designated long-term fund	<u>7,631,749</u>	<u>7,703,671</u>
Total net assets without restrictions	<u>\$ 43,695,447</u>	<u>\$ 43,901,200</u>

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	SEPTEMBER 30, <u>2022</u>	FEBRUARY 28, <u>2022</u>
Subject to expenditure for specified purpose:		
Medical and sensory rooms	\$ 91,055	
Programs of the Assessment Center	53,584	\$ 38,204
Digital recording system	43,138	65,506
Harris County Youth Collective	<u>6,615</u>	<u>17,976</u>
Total subject to expenditure for specified purpose	194,392	121,686
Endowments:		
Subject to spending policy and appropriation:		
General endowment to support operations	<u>51,389</u>	<u>51,355</u>
Total net assets with donor restrictions	<u>\$ 245,781</u>	<u>\$ 173,041</u>

NOTE 8 – 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		TOTAL
	ACCUMULATED NET INVESTMENT RETURN	REQUIRED TO BE MAINTAINED IN PERPETUITY	
Endowment net assets, February 28, 2021	\$ 1,325	\$ 50,000	\$ 51,325
Net investment return	<u>30</u>	<u> </u>	<u>30</u>
Endowment net assets, February 28, 2022	1,355	50,000	51,355
Net investment return	<u>34</u>	<u> </u>	<u>34</u>
Endowment net assets, September 30, 2022	<u>\$ 1,389</u>	<u>\$ 50,000</u>	<u>\$ 51,389</u>

NOTE 9 – 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 10 – GOVERNMENT GRANTS

The Assessment Center receives federal, state, and local government grants that require fulfillment of certain conditions as set forth in the grant contracts and are subject to review and audit by the awarding agencies. Such reviews and audits could result in discovery of unallowable activities and unallowable costs. Consequently, any of the funding sources, may, at their discretion, request reimbursement for expenses or return of funds as a result of noncompliance by the Assessment Center with the terms of the contracts. Management believes such disallowances, if any, would not be material to the Assessment Center’s financial position or changes in net assets. 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, state, and local grants received as direct and pass-through funding include the following:

	7 MONTHS ENDED SEPTEMBER 30, <u>2022</u>	12 MONTHS ENDED FEBRUARY 28, <u>2022</u>
Federal grants:		
U. S. Department of Justice	\$ 1,239,241	\$ 2,368,142
U. S. Department of Housing and Urban Development	<u>117,537</u>	<u>114,864</u>
Total federal grants	<u>1,356,778</u>	<u>2,483,006</u>
State grants:		
Texas Office of the Attorney General	<u>1,040,390</u>	<u>1,712,509</u>
Total government grants	<u>\$ 2,397,168</u>	<u>\$ 4,195,515</u>

NOTE 11 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 18, 2023, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.