The Children's Assessment Center Foundation

Financial Statements
and Independent Auditors' Report
for the year ended September 30, 2023
and the seven months ended September 30, 2022

The Children’s Assessment Center Foundation

Table of Contents

	Page
Independent Auditors’ Report	1
Financial Statements:	
Statements of Financial Position as of September 30, 2023 and 2022	3
Statement of Activities for the year ended September 30, 2023	4
Statement of Activities for the seven months ended September 30, 2022	5
Statement of Functional Expenses for the year ended September 30, 2023	6
Statement of Functional Expenses for the seven months ended September 30, 2022	7
Statements of Cash Flows for the year ended September 30, 2023 and the seven months ended September 30, 2022	8
Notes to Financial Statements for the year ended September 30, 2023 and the seven months ended September 30, 2022	9

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, 2023 and 2022, and the related statements of activities, of functional expenses, and of cash flows for the year ended September 30, 2023 and the seven months ended September 30, 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, 2023 and 2022, and the changes in its net assets and its cash flows for the year ended September 30, 2023 and the seven months ended September 30, 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 10, 2024 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

January 10, 2024

The Children's Assessment Center Foundation

Statements of Financial Position as of September 30, 2023 and 2022

	2023	2022
ASSETS		
Cash	$ 8,567,522	$ 7,486,083
Grants and contributions receivable *(Note 4)*	1,594,608	294,216
Prepaid expenses and other assets	121,819	119,981
Investments *(Note 3)*	2,379,651	2,600,487
Endowment investments *(Note 3)*	51,659	51,389
Property and equipment, net *(Note 5)*	31,965,127	33,421,832
TOTAL ASSETS	$ 44,680,386	$ 43,973,988
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued liabilities	$ 39,625	$ 20,819
Unfunded obligation – usage fees	1,255,459	10,274
Deferred revenue – special events	10,000	1,667
Total liabilities	1,305,084	32,760
Net assets:		
Without donor restrictions *(Note 6)*	42,757,530	43,695,447
With donor restrictions *(Notes 7 and 8)*	617,772	245,781
Total net assets	43,375,302	43,941,228
TOTAL LIABILITIES AND NET ASSETS	$ 44,680,386	$ 43,973,988

See accompanying notes to financial statements.

The Children's Assessment Center Foundation

Statement of Activities for the year ended September 30, 2023

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
OPERATING REVENUE:			
Government grants *(Notes 4 and 9)*	$ 5,019,301		$ 5,019,301
Contributions:			
Cash and other financial assets	637,709	$ 528,157	1,165,866
Nonfinancial assets *(Note 10)*	418,800		418,800
Special events	399,490		399,490
Direct donor benefit costs	(153,927)		(153,927)
Usage fees	1,571,053		1,571,053
Total operating revenue	7,892,426	528,157	8,420,583
Net assets released from restrictions:			
Program expenditures	156,436	(156,436)	
Total	8,048,862	371,721	8,420,583
OPERATING EXPENSES:			
Support of The Children's Assessment Center	6,580,897		6,580,897
Management and general	714,430		714,430
Fundraising	578,895		578,895
Total operating expenses	7,874,222		7,874,222
CHANGES IN NET ASSETS FROM OPERATIONS	174,640	371,721	546,361
Non-operating activities:			
Investment income	344,148	270	344,418
Depreciation	(1,456,705)		(1,456,705)
CHANGES IN NET ASSETS	(937,917)	371,991	(565,926)
Net assets, beginning of year	43,695,447	245,781	43,941,228
Net assets, end of year	$ 42,757,530	$ 617,772	$ 43,375,302

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 *(Notes 4 and 9)*	$ 2,397,168		$ 2,397,168
Contributions:			
Cash and other financial assets	209,173	$ 272,311	481,484
Nonfinancial assets *(Note 10)*	264,835		264,835
Special events	236,597		236,597
Direct donor benefit costs	(86,357)		(86,357)
Usage fees	1,748,260		1,748,260
Total operating revenue	4,769,676	272,311	5,041,987
Net assets released from restrictions:			
Program expenditures	199,605	(199,605)	
Total	4,969,281	72,706	5,041,987
OPERATING EXPENSES:			
Support of The Children's Assessment Center	3,450,953		3,450,953
Management and general	387,560		387,560
Fundraising	299,548		299,548
Total operating expenses	4,138,061		4,138,061
CHANGES IN NET ASSETS FROM OPERATIONS	831,220	72,706	903,926
Non-operating activities:			
Investment income	(76,019)	34	(75,985)
Depreciation	(960,954)		(960,954)
CHANGES IN NET ASSETS	(205,753)	72,740	(133,013)
Net assets, beginning of year	43,901,200	173,041	44,074,241
Net assets, end of year	$ 43,695,447	$ 245,781	$ 43,941,228

See accompanying notes to financial statements.

The Children’s Assessment Center Foundation

Statement of Functional Expenses for the year ended September 30, 2023

	SUPPORT OF THE CHILDREN’S ASSESSMENT CENTER	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Salaries and benefits	$ 5,869,548	$ 417,979	$ 483,926	$ 6,771,453
Professional fees and services	278,829	158,450	18,062	455,341
Supplies	138,769	27,924	38,110	204,803
Insurance	155,366	27,942	2,666	185,974
Travel	45,529	4,534	2,308	52,371
Meals for donors and volunteers	13,092	27,156	6,242	46,490
Accounting fees		38,000		38,000
Information technology	14,400	385	20,913	35,698
Conferences	27,542	6,636		34,178
Occupancy	24,908	703	443	26,054
Dues and contributions to other organizations	12,914	4,721	6,225	23,860
Total operating expenses	6,580,897	714,430	578,895	7,874,222
Depreciation	1,386,038	41,231	29,436	1,456,705
Total expenses	$ 7,966,935	$ 755,661	$ 608,331	9,330,927
Direct donor benefit costs				153,927
Total				$ 9,484,854

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
Supplies	78,328	7,725	13,177	99,230
Insurance	87,062	15,658	1,494	104,214
Travel	15,547	761	336	16,644
Meals for donors and volunteers	7,485	6,010	4,766	18,261
Accounting fees		40,500		40,500
Information technology	16,961	453	24,632	42,046
Conferences	15,550	1,339		16,889
Occupancy	17,038	481	303	17,822
Dues and contributions to other organizations	17,977		5,905	23,882
Total operating expenses	3,450,953	387,560	299,548	4,138,061
Depreciation	914,337	27,199	19,418	960,954
Total expenses	$ 4,365,290	$ 414,759	$ 318,966	5,099,015
Direct donor benefit costs				86,357
Total				$ 5,185,372

See accompanying notes to financial statements.

The Children's Assessment Center Foundation

Statements of Cash Flows for the year ended September 30, 2023 and the seven months ended September 30, 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	$ (565,926)	$ (133,013)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
(Gain) loss on investments	(8,872)	166,819
Depreciation	1,456,705	960,954
Changes in operating assets and liabilities:		
Grants and contributions receivable	(1,300,392)	615,300
Prepaid expenses and other assets	(1,838)	(68,867)
Accounts payable and accrued liabilities	18,806	(1,691)
Unfunded obligation – usage fees	1,245,185	(654,762)
Deferred revenue – special events	8,333	(78,266)
Net cash provided by operating activities	852,001	806,474
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of investments	262,952	318,163
Net change in cash held in investments	(33,514)	(34,181)
Purchases of property and equipment		(14,410)
Net cash provided by investing activities	229,438	269,572
NET CHANGE IN CASH	1,081,439	1,076,046
Cash, beginning of year	7,486,083	6,410,037
Cash, end of year	$ 8,567,522	$ 7,486,083

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.

Basis of presentation – The accompanying financial statements include only the assets, liabilities, net assets and activities of the Assessment Center and do not include any assets, liabilities, net assets or activities of the County or the Center.

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. Cash held for investment is grouped with investments and excluded from cash in the statement of cash flows.

Grants and contributions receivable that are expected to be collected within one year are reported at net realizable value. Amounts expected to be collected in more than one year are discounted 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 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. 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.

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.

Contributed nonfinancial assets are recognized at fair value as unrestricted 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.

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.

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 value of the County's utilization of the Assessment Center facility. It represents a budget subsidy from the County that is contingent on the amount and timing of the federal and state funding received by the Assessment Center. 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. Unfunded obligation – usage fees 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.

Adoption of accounting standard – Effective October 1, 2022, the Assessment Center adopted the Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU requires contributed nonfinancial assets to be presented as a separate line item in the statement of activities, apart from contributions of cash and other financial assets, and requires disclosure about the measurement and use of types of contributed nonfinancial assets. This ASU has been applied on a full retrospective basis to the financial statements for the seven months ended September 30, 2022 and had no impact on previously presented changes in net assets, but resulted in additional disclosures.

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 comprise the following:

	2023	2022
Financial assets:		
Cash	$ 8,567,522	$ 7,486,083
Grants and contributions receivable	1,594,608	294,216
Other assets		8,736
Investments	2,431,310	2,651,876
Total financial assets	12,593,440	10,440,911
Less financial assets not available for general expenditure:		
Contributions receivable not expected to be collected in one year	(75,000)	
Board-designated cash and investments	(8,366,130)	(7,631,749)
Endowment investments	(51,659)	(51,389)
Total financial assets available for general expenditure	$ 4,100,651	$ 2,757,773

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 ($8.4 million at September 30, 2023), 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, 2023 are as follows:

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Investments – corporate bonds		$ 2,105,555		$ 2,105,555
Total assets measured at fair value	$ 0	$ 2,105,555	$ 0	2,105,555
Cash held in investments				325,755
Total investments				$ 2,431,310

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

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Investments – corporate bonds		$ 2,359,635		$ 2,359,635
Total assets measured at fair value	$ 0	$ 2,359,635	$ 0	2,359,635
Cash held in investments				292,241
Total investments				$ 2,651,876

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 – GRANTS AND CONTRIBUTIONS RECEIVABLE

Grants and contributions receivable consist of the following:

	2023	2022
Grants and contributions receivable	$ 1,609,608	$ 334,216
Allowance for uncollectible contributions	(15,000)	(40,000)
Grants and contributions receivable, net	$ 1,594,608	$ 294,216

Grants and contributions receivable at September 30, 2023 are expected to be collected as follows:

Receivable in less than one year	$ 1,534,608
Receivable in one to five years	75,000
Total grants and contributions receivable	$ 1,609,608

Concentrations – At September 30, 2023, receivables from two grantors totaled approximately $1,376,000 or 85% of grants and contributions receivable. At September 30, 2022, receivables from one grantor totaled approximately $210,000 or 62% of grants and contributions receivable. Grants from two grantors totaled approximately $4,944,000 and $2,280,000 or 98% and 95% of government grant contributions for the year ended September 30, 2023 and the seven months ended September 30, 2022, respectively.

At September 30, 2023, the Assessment Center has a $135,722 conditional contribution from the United Way of Greater Houston to be used in providing program services from April 1, 2024 to March 31, 2025. The amount is conditioned upon performance and available resources. The Assessment Center will recognize the contribution when the conditions are met.

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2023	2022
Land	$ 5,965,681	$ 5,965,681
Building and building improvements	40,826,864	40,826,864
Furniture and equipment	2,101,423	2,101,423
Total property and equipment, at cost	48,893,968	48,893,968
Accumulated depreciation	(16,928,841)	(15,472,136)
Property and equipment, net	$ 31,965,127	$ 33,421,832

NOTE 6 – NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions are comprised of the following:

	2023	2022
Property and equipment, net	$ 31,965,127	$ 33,421,832
Undesignated	2,426,273	2,641,866
Board-designated Special Use Fund	8,366,130	7,631,749
Total net assets without restrictions	$ 42,757,530	$ 43,695,447

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	2023	2022
Subject to expenditure for specified purpose:		
Programs of the Assessment Center	$ 296,286	$ 53,584
Medical and sensory rooms	62,430	91,055
Digital recording system	37,397	43,138
Harris County Youth Collective		6,615
Total subject to expenditure for specified purpose	396,113	194,392
Subject to passage of time	170,000	
Endowments:		
Subject to spending policy and appropriation:		
General endowment to support operations	51,659	51,389
Total net assets with donor restrictions	$ 617,772	$ 245,781

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		
	ACCUMULATED NET INVESTMENT RETURN	REQUIRED TO BE MAINTAINED IN PERPETUITY	TOTAL
Endowment net assets, February 28, 2022	$ 1,355	$ 50,000	$ 51,355
Net investment return	34		34
Endowment net assets, September 30, 2022	1,389	50,000	51,389
Net investment return	270		270
Endowment net assets, September 30, 2023	$ 1,659	$ 50,000	$ 51,659

NOTE 9 – 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:

	YEAR ENDED SEPTEMBER 30, 2023	7 MONTHS ENDED SEPTEMBER 30, 2022
Federal grants:		
U. S. Department of the Treasury	$ 2,407,000	
U. S. Department of Housing and Urban Development	75,463	$ 117,537
U. S. Department of Justice		1,239,241
Total federal grants	2,482,463	1,356,778
State grants:		
Texas Office of the Attorney General	2,536,838	1,040,390
Total government grants	$ 5,019,301	$ 2,397,168

NOTE 10 – CONTRIBUTED NONFINANCIAL ASSETS

The Assessment Center receives donated services from Harris County employees, which are recorded at the estimated cost incurred by the County. During the year ended September 30, 2023, the Assessment Center recognized $195,600 of salaries and benefits expenses in management and general costs and $223,200 in fundraising costs. During the seven months ended September 30, 2022, the Assessment Center recognized $137,809 of salaries and benefits in management and general costs and $127,026 in fundraising costs.

For the year ended September 30, 2023 and the seven months ended September 30, 2022, individuals volunteered approximately 1,406 hours and 532 hours, valued using an hourly rate provided by the Independent Sector and Bureau of Labor Statistics at $41,972 and $15,933, 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.

NOTE 11 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 10, 2024, 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.