

**THE CHILDREN'S ASSESSMENT
CENTER FOUNDATION**

Audit of Financial Statements

September 30, 2025

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Independent Auditor's Report

To the Boards of Directors
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 (the Assessment Center), which comprise the statement of financial position as of September 30, 2025, the related statements of activities, functional expenses, and cash flows for the year then ended, 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 Assessment Center as of September 30, 2025, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Basis for Opinion

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

Other Matter

The financial statements of the Assessment Center as and for the year ended September 30, 2024, were audited by other auditors, whose report dated January 15, 2025, expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP, 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 Assessment Center's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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.

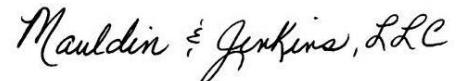
In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- 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 Assessment Center'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 Assessment Center'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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 7, 2026 on our consideration of the Assessment Center's internal control over financial reporting and 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 Assessment Center'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 Assessment Center's internal control over financial reporting and compliance.



Covington, LA
January 7, 2026

THE CHILDREN'S ASSESSMENT CENTER FOUNDATION
Statements of Financial Position
September 30, 2025 and 2024

	2025	2024
Assets		
Cash	\$ 3,874,082	\$ 3,884,197
Grants and Contributions Receivable, Net	971,880	1,226,196
Prepaid Expenses and Other Assets	160,400	179,196
Investments	11,577,192	9,937,350
Endowment Investments	54,350	52,513
Property and Equipment, Net	<u>30,952,816</u>	31,302,232
Total Assets	<u>\$ 47,590,720</u>	<u>\$ 46,581,684</u>
Liabilities and Net Assets		
Liabilities		
Accounts Payable and Accrued Liabilities	\$ 92,582	\$ 136,238
Unfunded Obligation - Usage Fees	373,502	655,562
Deferred Revenue - Special Events	-	12,000
Total Liabilities	<u>466,084</u>	803,800
Net Assets		
Without Donor Restrictions	46,120,300	44,123,223
With Donor Restrictions	<u>1,004,336</u>	1,654,661
Total Net Assets	<u>47,124,636</u>	<u>45,777,884</u>
Total Liabilities and Net Assets	<u>\$ 47,590,720</u>	<u>\$ 46,581,684</u>

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

THE CHILDREN'S ASSESSMENT CENTER FOUNDATION
Statement of Activities
For the Year Ended September 30, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue			
Government Grants	\$ 5,660,339	\$ -	\$ 5,660,339
Contributions			
Cash and Other Financial Assets	851,778	393,155	1,244,933
Nonfinancial Assets	439,740	-	439,740
Special Events	301,558	-	301,558
Direct Donor Benefit Costs	(98,351)	-	(98,351)
Usage Fees	3,061,293	-	3,061,293
Total Operating Revenue	10,216,357	393,155	10,609,512
Net Assets Released from Restrictions			
Program Expenditures	1,045,317	(1,045,317)	-
Total	11,261,674	(652,162)	10,609,512
Operating Expenses			
Program Services			
Support of the Children's Assessment Center	7,510,493	-	7,510,493
Support Services			
Management and General	648,164	-	648,164
Fundraising	481,350	-	481,350
Total Operating Expenses	8,640,007	-	8,640,007
Changes in Net Assets from Operations	2,621,667	(652,162)	1,969,505
Non-Operating Activities			
Net Investment Return	848,663	1,837	850,500
Depreciation	(1,473,253)	-	(1,473,253)
Change in Net Assets	1,997,077	(650,325)	1,346,752
Net Assets, Beginning of Year	44,123,223	1,654,661	45,777,884
Net Assets, End of Year	\$ 46,120,300	\$ 1,004,336	\$ 47,124,636

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

THE CHILDREN'S ASSESSMENT CENTER FOUNDATION
Statement of Activities
For the Year Ended September 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue			
Government Grants	\$ 4,846,360	\$ -	\$ 4,846,360
Contributions			
Cash and Other Financial Assets	652,086	1,803,747	2,455,833
Nonfinancial Assets	418,800	-	418,800
Special Events	377,377	-	377,377
Direct Donor Benefit Costs	(100,472)	-	(100,472)
Usage Fees	3,352,230	-	3,352,230
Total Operating Revenue	9,546,381	1,803,747	11,350,128
Net Assets Released from Restrictions			
Program Expenditures	767,712	(767,712)	-
Total	10,314,093	1,036,035	11,350,128
Operating Expenses			
Program Services			
Support of the Children's Assessment Center	7,099,022	-	7,099,022
Support Services			
Management and General	608,370	-	608,370
Fundraising	524,374	-	524,374
Total Operating Expenses	8,231,766	-	8,231,766
Changes in Net Assets from Operations	2,082,327	1,036,035	3,118,362
Non-Operating Activities			
Net Investment Return	714,215	854	715,069
Depreciation	(1,430,849)	-	(1,430,849)
Change in Net Assets	1,365,693	1,036,889	2,402,582
Net Assets, Beginning of Year	42,757,530	617,772	43,375,302
Net Assets, End of Year	\$ 44,123,223	\$ 1,654,661	\$ 45,777,884

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

THE CHILDREN'S ASSESSMENT CENTER FOUNDATION
Statement of Functional Expenses
For the Year Ended September 30, 2025

	Program Services		Support Services		Total
	Support of the Children's Assessment Center	Management and General	Fundraising		
Operating Expenses					
Salaries and Benefits	\$ 5,984,552	\$ 401,757	\$ 374,672	\$ 6,760,981	
Professional Fees and Services	773,250	35,622	25,016	833,888	
Supplies	289,407	41,733	54,531	385,671	
Insurance	241,773	28,139	9,447	279,359	
Meals for Donors and Volunteers	52,146	55,387	7,970	115,503	
Conferences	99,680	6,401	5,548	111,629	
Accounting Fees	-	51,690	-	51,690	
Travel	32,318	7,786	2,834	42,938	
Information Technology	24,238	755	503	25,496	
Dues and Contributions to Other Organizations	-	17,650	-	17,650	
Occupancy	13,129	1,244	829	15,202	
Total Operating Expenses	7,510,493	648,164	481,350	8,640,007	
Depreciation	1,274,526	148,924	49,803	1,473,253	
Total Expenses	\$ 8,785,019	\$ 797,088	\$ 531,153	10,113,260	
Direct Donor Benefit Costs				98,351	
Total				\$ 10,211,611	

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

THE CHILDREN'S ASSESSMENT CENTER FOUNDATION
Statement of Functional Expenses
For the Year Ended September 30, 2024

	Program Services		Support Services			Total
	Support of the Children's Assessment Center	Management and General	Fundraising			
Operating Expenses						
Salaries and Benefits	\$ 5,633,662	\$ 371,062	\$ 388,729	\$ 6,393,453		
Professional Fees and Services	930,927	41,239	46,449	1,018,615		
Supplies	161,732	43,910	36,520	242,162		
Insurance	181,261	29,888	3,818	214,967		
Meals for Donors and Volunteers	35,108	34,859	23,682	93,649		
Conferences	56,646	6,340	19,809	82,795		
Travel	47,895	12,863	2,286	63,044		
Information Technology	43,171	3,805	2,537	49,513		
Accounting Fees	-	43,069	-	43,069		
Dues and Contributions to Other Organizations	-	20,520	-	20,520		
Occupancy	8,620	815	544	9,979		
Total Operating Expenses	7,099,022	608,370	524,374	8,231,766		
Depreciation	1,238,334	144,127	48,388	1,430,849		
Total Expenses	\$ 8,337,356	\$ 752,497	\$ 572,762	\$ 9,662,615		
Direct Donor Benefit Costs				100,472		
Total				\$ 9,763,087		

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

THE CHILDREN'S ASSESSMENT CENTER FOUNDATION
Statements of Cash Flows
For the Year Ended September 30, 2025 and 2024

	2025	2024
Cash Flows from Operating Activities		
Change in Net Assets	\$ 1,346,752	\$ 2,402,582
Adjustment to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Realized and Unrealized Gains on Investments	(383,220)	(300,852)
Depreciation	1,473,253	1,430,849
Change in Operating Assets and Liabilities:		
Grants and Contributions Receivable	254,316	368,412
Prepaid Expenses and Other Assets	18,796	(57,377)
Accounts Payable and Accrued Liabilities	(43,656)	96,613
Unfunded Obligation - Usage Fees	(282,060)	(599,897)
Deferred Revenue - Special Events	<u>(12,000)</u>	2,000
Net Cash Provided by Operating Activities	2,372,181	3,342,330
Cash Flows from Investing Activities		
Purchases of Investments	(11,726,337)	(5,840,498)
Proceeds from Sales of Investments	10,467,878	467,010
Net Change in Cash and Money Market Mutual Funds Held as Investments	-	(1,884,213)
Purchases of Property and Equipment	<u>(1,123,837)</u>	(767,954)
Net Cash Used in Investing Activities	(2,382,296)	(8,025,655)
Net Change in Cash	(10,115)	(4,683,325)
Cash, Beginning of Year	3,884,197	8,567,522
Cash, End of Year	\$ 3,874,082	\$ 3,884,197

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

THE CHILDREN'S ASSESSMENT CENTER FOUNDATION

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.

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 Assessment Center prepares its financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), involving the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred. Financial statement presentation follows the recommendations of the Not-for-Profit Entities Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC).

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).

U.S. GAAP provides accounting and disclosure guidance about positions taken by the Assessment Center in its tax returns that might be uncertain. The Assessment Center believes that it has appropriate support for any tax positions taken, and management has determined that there are no uncertain tax positions that are material to the financial statements.

THE CHILDREN'S ASSESSMENT CENTER FOUNDATION

Notes to Financial Statements

Note 1. Organization and Significant Accounting Policies (Continued)

Cash

The Assessment Center considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents, unless held for reinvestment as part of the investment portfolio, pledged to secure loan agreements, or otherwise designated or restricted. The carrying amount approximates fair value because of the short-term maturity of those instruments. Cash held for investment is grouped with investments and excluded from cash in the statement of cash flows. There are no cash equivalents as of September 30, 2025 or 2024.

Grants and Contributions Receivable

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. At September 30, 2025, all grants and contributions receivable are expected to be collected within one year.

Investments

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. Net investment return whose use is restricted by the donor is reported as a change in net assets with donor restrictions until expended in accordance with donor-imposed restrictions.

Property and Equipment

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 Assessment Center capitalizes additions and improvements that have a tangible future economic life and cost or fair value of more than \$5,000.

Net Asset Classification

Net assets, revenues, 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.

THE CHILDREN'S ASSESSMENT CENTER FOUNDATION

Notes to Financial Statements

Note 1. Organization and Significant Accounting Policies (Continued)

Net Asset Classification (Continued)

- 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

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

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.

THE CHILDREN'S ASSESSMENT CENTER FOUNDATION

Notes to Financial Statements

Note 1. Organization and Significant Accounting Policies (Continued)

Special Events Revenue

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

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.

THE CHILDREN'S ASSESSMENT CENTER FOUNDATION

Notes to Financial Statements

Note 2. Concentration of Risk

Economic Dependency

Support for the Assessment Center is provided primarily by grants and fees from federal, state, and local government agencies. The continued operations of the Assessment Center are dependent upon the renewal of current grants and/or the procurement of additional funding sources. During the year ended September 30, 2025, three major funding sources accounted for 84% of total operating revenue. At September 30, 2025, receivables from these funding sources represented 93% of total grants and contributions receivable. During the year ended September 30, 2024, three major funding sources accounted for 75% of total operating revenue. At September 30, 2024, receivables from these funding sources represented 64% of total grants and contributions receivable.

Cash Deposits

The Assessment Center maintains its cash accounts in one commercial bank. The amount on deposit at September 30, 2025 exceeded the insurance limits of the Federal Deposit Insurance Corporation by \$3,626,926. The Assessment Center has not experienced any losses and does not believe that significant credit risk exists as a result of this practice.

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 September 30 comprise the following:

	2025	2024
Cash	\$ 3,874,082	\$ 3,884,197
Grants and Contributions Receivable, Net	971,880	1,226,196
Investments	<u>11,631,542</u>	9,989,863
 Total Financial Assets	 16,477,504	15,100,256
 Less Financial Assets Not Available for General Expenditure		
Contributions Receivable Not Expected to be		
Collected in One Year		
Board-Designated Special Use Fund	(11,577,192)	(9,937,350)
Endowment Investments	<u>(54,350)</u>	(52,513)
 Financial Assets at Year End Available to Meet Cash Needs for General Expenditures within One Year	 \$ 4,845,962	\$ 5,110,393

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.

THE CHILDREN'S ASSESSMENT CENTER FOUNDATION

Notes to Financial Statements

Note 3. Liquidity and Availability of Resources (Continued)

In addition, the Assessment Center has created a board-designated Special Use Fund (\$11.6 million at September 30, 2025), 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 4. Fair Value Measurements

The fair value measurements are based on a framework that provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Assessment Center has the ability to access.
- Level 2 Inputs to the valuation methodology include:
 - Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in inactive markets;
 - Inputs other than quoted prices that are observable for the asset or liability; and
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs.

THE CHILDREN'S ASSESSMENT CENTER FOUNDATION

Notes to Financial Statements

Note 4. Fair Value Measurements (Continued)

A description of the valuation methodologies used for assets measured at fair value is as follows:

- U.S. treasury securities, corporate bonds, common stock and money market mutual funds, when present, are valued at the closing price reported on the active market on which the individual securities are traded (Level 1 inputs). If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments (Level 2 inputs).

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.

Assets measured at fair value at September 30, 2025 and 2024 are as follows:

2025	Level 1	Level 2	Level 3	Total
Investments				
U.S. Treasury Securities	\$ 2,975,238	\$ -	\$ -	\$ 2,975,238
Corporate Bonds	2,450,490	249,815	-	2,700,305
Common Stock	3,164,562	-	-	3,164,562
Money Market Mutual Funds	2,791,437	-	-	2,791,437
Total Investments	\$ 11,381,727	\$ 249,815	\$ -	\$ 11,631,542
 2024				
Investments				
U.S. Treasury Securities	\$ -	\$ 2,850,906	\$ -	\$ 2,850,906
Corporate Bonds	-	2,523,581	-	2,523,581
Common Stock	2,405,407	-	-	2,405,407
Money Market Mutual Funds	2,209,969	-	-	2,209,969
Total Investments	\$ 4,615,376	\$ 5,374,487	\$ -	\$ 9,989,863

Note 5. Grants and Contributions Receivable

Grants and contributions receivable consisted of the following:

	2025	2024
Grants and Contributions Receivable	\$ 976,880	\$ 1,241,196
Allowance for Uncollectible Contributions	(5,000)	(15,000)
Total Grants and Contributions Receivable, Net	\$ 971,880	\$ 1,226,196

THE CHILDREN'S ASSESSMENT CENTER FOUNDATION

Notes to Financial Statements

Note 6. Property and Equipment

Property and equipment consisted of the following:

	2025	2024
Land	\$ 5,965,681	\$ 5,965,681
Building and Building Improvements	42,416,501	41,380,156
Furniture and Equipment	2,191,205	2,281,815
Construction in Progress	115,904	34,270
 Total Property and Equipment, at Cost	 50,689,291	49,661,922
 Less: Accumulated Depreciation	 (19,736,475)	 (18,359,690)
 Property and Equipment, Net	 \$ 30,952,816	 \$ 31,302,232

Depreciation expense was \$1,473,253 and \$1,430,849 for the years ended September 30, 2025 and 2024, respectively.

Property and Equipment Subject to Restrictions and Reversionary Interest

In September 2012, Harris County conveyed to the Assessment Center land and existing improvements to be used for the expansion and operation of The Children's Assessment Center facility. The conveyance was made under a services agreement and a Special Warranty Deed with conditional limitation, condition subsequent, and reversionary provisions. The Assessment Center has the right to use the premises through December 31, 2052. On that date, title to the land, building, and all improvements automatically reverts to Harris County without further action.

The deed includes additional conditions that may result in reversion prior to December 31, 2052. These conditions include requirements for the Assessment Center to substantially complete the expansion of the Children's Assessment Center facility to at least 120,000 square feet by April 30, 2016, to use the premises continually for the primary purpose of operating The Children's Assessment Center programs, and to prevent liens or encumbrances from being placed on the property. Failure to satisfy these conditions, after applicable notice periods, may result in Harris County reclaiming ownership of the property. At September 30, 2025 and 2024, the Assessment Center was in compliance with the applicable requirements.

The land was recorded at its estimated fair value of \$5,965,681 at the date of conveyance in 2012. The building and improvements were recorded as property and equipment at the time of acquisition and/or construction. The Assessment Center depreciates the depreciable components on a straight-line basis through December 31, 2052, which represents the remaining period during which the Assessment Center is permitted to use the property.

THE CHILDREN'S ASSESSMENT CENTER FOUNDATION

Notes to Financial Statements

Note 7. Net Assets Without Donor Restrictions

Net assets without donor restrictions are comprised of the following:

	2025	2024
Property and Equipment, Net	\$ 30,952,816	\$ 31,302,232
Undesignated	3,590,292	2,883,641
Board-designated Special Use Fund	<u>11,577,192</u>	9,937,350
Total Net Assets Without Restrictions	<u>\$ 46,120,300</u>	\$ 44,123,223

Note 8. Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted as follows:

	2025	2024
Subject to Expenditure for Specified Purpose		
Forensic Technology	\$ 649,531	\$ 760,000
Programs of the Assessment Center	184,287	618,529
Medical and Sensory Rooms	53,771	61,222
Digital Recording System	<u>37,397</u>	37,397
Total Subject to Expenditure for Specified Purpose	924,986	1,477,148
Subject to Passage of Time	25,000	125,000
Endowments		
Subject to Spending Policy and Appropriation		
General Endowment to Support Operations	<u>54,350</u>	52,513
Total Net Assets With Donor Restrictions	<u>\$ 1,004,336</u>	\$ 1,654,661

Note 9. Endowment Funds

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

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Notes to Financial Statements

Note 9. Endowment Funds (Continued)

Donor-restricted endowment funds are maintained in accordance with explicit donor stipulations. The Endowment is subject to the Texas Uniform Prudent Management of Institutional Funds Act (TUPMIFA). TUPMIFA provides guidelines about what constitutes prudent spending and explicitly requires consideration of preservation of the fund. The Assessment Center has interpreted TUPMIFA as requiring a focus on the entirety of donor-restricted endowment funds, including original gift amounts and net appreciation. As a result of this interpretation, the Assessment Center classifies amounts specified by explicit donor stipulation to be an endowment as net assets with donor restrictions required to be maintained in perpetuity. This amount is not reduced by losses on investments or by approved distributions. The portion of the endowment not required to be maintained in perpetuity is also classified as net assets with donor restrictions until appropriated in accordance with spending policies and used for the stipulated purpose. Should the fair value of assets associated with the individual funds fall below the level that is required to be maintained in perpetuity, a deficiency would be reported in net assets with donor restrictions. There were no deficiencies in the years ended September 30, 2025 and 2024.

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, September 30, 2023	\$ 1,659	\$ 50,000	\$ 51,659	
Net Investment Return	854	-	854	
Endowment Net Assets, September 30, 2024	2,513	50,000	52,513	
Net Investment Return	1,837	-	1,837	
Endowment Net Assets, September 30, 2025	\$ 4,350	\$ 50,000	\$ 54,350	

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Notes to Financial Statements

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:

	2025	2024
Federal Grants		
U.S. Department of Justice	\$ 2,830,116	\$ 2,407,000
U.S. Department of Health and Human Services	125,114	-
U.S. Department of Housing and Urban Development	<u>75,000</u>	<u>75,000</u>
Total Federal Grants	3,030,230	2,482,000
State Grants		
Texas Office of the Attorney General	<u>2,630,109</u>	2,364,360
Total Government Grants	\$ 5,660,339	\$ 4,846,360

Note 11. Contributed Nonfinancial Assets

The Assessment Center receives services from employees paid by the County, which are recorded at the estimated cost incurred by the County. During the years ended September 30, 2025 and 2024, the Assessment Center recognized \$205,380 and \$195,600, respectively, of salaries and benefits expenses in management and general costs and \$234,360 and \$223,200, respectively, in fundraising costs of services from employees paid by the County.

For the years ended September 30, 2025 and 2024, individuals volunteered approximately 4,199 hours and 3,181 hours, respectively, valued using an hourly rate provided by the Independent Sector and Bureau of Labor Statistics at \$140,631 and \$106,534, 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 U.S. GAAP.

THE CHILDREN'S ASSESSMENT CENTER FOUNDATION

Notes to Financial Statements

Note 12. Subsequent Events

Management has evaluated subsequent events through January 7, 2026, 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.