

**CASA PACIFICA CENTERS FOR
CHILDREN AND FAMILIES**

**SINGLE AUDIT REPORTS
AND FINANCIAL STATEMENTS**

YEAR ENDED JUNE 30, 2012

CASA PACIFICA CENTERS FOR CHILDREN AND FAMILIES
(A California Non-Profit Corporation)
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Casa Pacifica Centers for Children and Families (CPCCF)
(A California Non-Profit Corporation)
Camarillo, California

We have audited the accompanying statement of financial position of Casa Pacifica Centers for Children and Families (A California Non-Profit Corporation) as of June 30, 2012 and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of Casa Pacifica Centers for Children and Families' management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Casa Pacifica Centers for Children and Families' 2011 financial statements and, in our report dated November 30, 2011, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Casa Pacifica Centers for Children and Families' internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Casa Pacifica Centers for Children and Families as of June 30, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2012, on our consideration of Casa Pacifica Centers for Children and Families' 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

INDEPENDENT AUDITORS' REPORT - Continued

Our audit was performed for the purpose of forming an opinion on the financial statements of Casa Pacifica Centers for Children and Families taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information was prepared according to the accounting principles used for the basic financial statements and has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Vorwin, Hays + Co.

November 27, 2012

CASA PACIFICA CENTERS FOR CHILDREN AND FAMILIES
(A California Non-Profit Corporation)
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2012
(WITH COMPARATIVE TOTALS FOR 2011)

	<u>2012</u>	<u>2011</u>
ASSETS		
Cash and cash equivalents	\$ 851,294	\$ 1,074,262
Investments	1,084,562	1,139,047
Contracts receivable	4,025,352	4,201,776
Other receivables	38,348	18,772
Deposits and prepaid expenses	311,582	469,111
Other asset - cash surrender value of life insurance	122,290	122,290
Property and equipment, net	<u>6,520,021</u>	<u>6,343,833</u>
Total assets	<u>\$ 12,953,449</u>	<u>\$ 13,369,091</u>
LIABILITIES		
Accounts payable and accrued expenses	\$ 1,103,709	\$ 1,036,384
Accrued payroll and related liabilities	1,487,289	1,922,724
Contract advances	10,000	10,000
Borrowing agreements	255,554	397,245
Unearned revenue	<u>53,198</u>	<u>10,100</u>
Total liabilities	2,909,750	3,376,453
COMMITMENTS AND CONTINGENCIES		
NET ASSETS		
Unrestricted	9,120,283	9,507,630
Temporarily restricted	798,466	346,351
Permanently restricted	<u>124,950</u>	<u>138,657</u>
Total net assets	<u>10,043,699</u>	<u>9,992,638</u>
Total liabilities and net assets	<u>\$ 12,953,449</u>	<u>\$ 13,369,091</u>

See accompanying auditors' reports and
notes to financial statements.

CASA PACIFICA CENTERS FOR CHILDREN AND FAMILIES
(A California Non-Profit Corporation)
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012
(WITH COMPARATIVE TOTALS FOR 2011)

	2012			2011	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
REVENUE AND SUPPORT					
Governmental service contracts	\$ 22,027,553	\$ -	\$ -	\$ 22,027,553	\$ 21,378,432
Fundraising revenue:					
Contributions and grants	849,560	1,702,041	100	2,551,701	1,597,142
Special event revenue	<u>1,640,319</u>	<u>-</u>	<u>-</u>	<u>1,640,319</u>	<u>1,211,567</u>
	2,489,879	1,702,041	100	4,192,020	2,808,709
Interest and dividend income	32,111	-	1,876	33,987	67,311
Gain (loss) on investments	(64,114)	-	1,635	(62,479)	224,256
Gain (loss) on sale of assets	-	-	-	-	15,045
Other income	181,214	-	-	181,214	14,518
Contract settlements	(34,041)	-	-	(34,041)	(275,431)
Restrictions released	<u>1,267,244</u>	<u>(1,249,926)</u>	<u>(17,318)</u>	<u>-</u>	<u>-</u>
Total revenue, support and restrictions released	25,899,846	452,115	(13,707)	26,338,254	24,232,840
EXPENSES					
Program services	22,172,448	-	-	22,172,448	21,151,536
Support services	2,667,559	-	-	2,667,559	2,361,259
Fundraising expenses:					
Special event expenses	1,099,096	-	-	1,099,096	623,379
Other fundraising expenses	<u>348,090</u>	<u>-</u>	<u>-</u>	<u>348,090</u>	<u>404,672</u>
	1,447,186	-	-	1,447,186	24,540,846
	<u>26,287,193</u>	<u>-</u>	<u>-</u>	<u>26,287,193</u>	<u>24,540,846</u>
CHANGE IN NET ASSETS	(387,347)	452,115	(13,707)	51,061	(308,006)
NET ASSETS - beginning of year	<u>9,507,630</u>	<u>346,351</u>	<u>138,657</u>	<u>9,992,638</u>	<u>10,300,644</u>
NET ASSETS - end of year	<u>\$ 9,120,283</u>	<u>\$ 798,466</u>	<u>\$ 124,950</u>	<u>\$ 10,043,699</u>	<u>\$ 9,992,638</u>

See accompanying auditors' reports and
notes to financial statements.

CASA PACIFICA CENTERS FOR CHILDREN AND FAMILIES
(A California Non-Profit Corporation)
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2012
(WITH COMPARATIVE TOTALS FOR 2011)

	<u>Program Services</u>	<u>Support Services</u>	<u>Fundraising Expenses</u>	<u>2012 Total Expenses</u>	<u>2011 Total Expenses</u>
Salaries and related expenses					
Salaries	\$ 13,624,930	\$ 1,876,961	\$ 174,873	\$ 15,676,764	\$ 14,700,045
Payroll taxes	1,044,051	135,116	13,391	1,192,558	1,165,884
Employee benefits	<u>1,756,412</u>	<u>217,788</u>	<u>23,602</u>	<u>1,997,802</u>	<u>2,174,388</u>
	16,425,393	2,229,865	211,866	18,867,124	18,040,317
Other expenses					
Advertising and recruiting	12,916	45,113	29,382	87,411	106,255
Auto expense	300,816	21,255	10,818	332,889	317,731
Bad debt	75,000	-	-	75,000	287,535
Board expenses	-	14,796	-	14,796	4,989
Child related costs	158,441	-	-	158,441	139,661
Computer expenses	599,188	45,782	16,077	661,047	646,098
Conferences and meetings	148,737	56,296	4,659	209,692	145,617
Dues and subscriptions	4,889	67,195	150	72,234	63,345
Education and training	99,932	79,541	-	179,473	130,504
Equipment maintenance and rental	88,872	37,543	79,844	206,259	220,224
Food costs	468,508	-	-	468,508	428,062
In-kind expenses, client supplies	272,062	23,418	949	296,429	348,409
Insurance	198,739	14,710	3,123	216,572	206,792
Interest expense	-	54,204	14	54,218	59,094
Office expenses	53,763	19,543	9,594	82,900	68,279
Outside services	133,959	297,512	72,771	504,242	366,371
Postage	2,141	18,459	3,903	24,503	17,474
Printing	7,407	15,113	52,589	75,109	65,188
Professional fees	202,194	39,918	2,094	244,206	269,492
Rent	715,780	83,573	-	799,353	761,401
Repairs and maintenance	53,597	198,200	118	251,915	205,859
Small equipment	131,806	31,538	6,339	169,683	79,562
Supplies	187,052	6,939	939,956	1,133,947	582,865
Taxes and licenses	48,590	38,688	-	87,278	77,947
Telephone	121,698	21,816	2,764	146,278	71,981
Transportation and travel	120,615	7,134	176	127,925	95,344
Utilities	57,094	123,915	-	181,009	180,633
Allocated facility expense	<u>1,433,804</u>	<u>(1,433,804)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	22,122,993	2,158,262	1,447,186	25,728,441	23,987,029
Depreciation	<u>49,455</u>	<u>509,297</u>	<u>-</u>	<u>558,752</u>	<u>553,817</u>
Total expenses	<u>\$ 22,172,448</u>	<u>\$ 2,667,559</u>	<u>\$ 1,447,186</u>	<u>\$ 26,287,193</u>	<u>\$ 24,540,846</u>

See accompanying auditors' reports and
notes to financial statements.

CASA PACIFICA CENTERS FOR CHILDREN AND FAMILIES
(A California Non-Profit Corporation)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012
(WITH COMPARATIVE TOTALS FOR 2011)

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ <u>51,061</u>	\$ <u>(308,006)</u>
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	558,752	553,817
Provision for bad debt	(75,000)	(287,535)
(Gain) loss on investments	62,479	(224,256)
(Gain) loss on sale of fixed assets	-	(15,045)
(Increase) decrease in:		
Contracts receivable	251,424	567,201
Other receivables	(19,576)	(18,357)
Deposits and prepaid expenses	157,529	(33,893)
Increase (decrease) in:		
Accounts payable and accrued expenses	67,325	(206,387)
Accrued payroll and related liabilities	(435,435)	413,847
Unearned revenue	<u>43,098</u>	<u>(18,100)</u>
Total adjustments	<u>610,596</u>	<u>731,292</u>
Net Cash Provided (Used) by Operating Activities	661,657	423,286
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments related to the acquisition of capital assets	(734,940)	(342,825)
Proceeds from sale of fixed assets	-	15,045
Proceeds from sale of investments	333,516	253,494
Purchase of investments	<u>(341,510)</u>	<u>(298,395)</u>
Net Cash Provided (Used) by Investing Activities	<u>(742,934)</u>	<u>(372,681)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on borrowing agreements	<u>(141,691)</u>	<u>(178,865)</u>
Net Cash Provided (Used) by Financing Activities	<u>(141,691)</u>	<u>(178,865)</u>
NET INCREASE (DECREASE) IN CASH	(222,968)	(128,260)
CASH AT BEGINNING OF YEAR	<u>1,074,262</u>	<u>1,202,522</u>
CASH AT END OF YEAR	<u>\$ 851,294</u>	<u>\$ 1,074,262</u>
Supplemental disclosures:		
Interest paid	<u>\$ 54,218</u>	<u>\$ 59,094</u>
In-kind contributions	<u>\$ 329,642</u>	<u>\$ 248,412</u>

See accompanying auditors' reports and notes to financial statements.

CASA PACIFICA CENTERS FOR CHILDREN AND FAMILIES
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

1. ORGANIZATION

The Youth Connection of Ventura County d.b.a. Casa Pacifica (“Casa Pacifica”) was conceived as a “state of the art” residential trauma care and treatment center designed to provide comprehensive assessment, treatment, medical, and education services in the context of 24-hour care to meet the needs of Ventura County's most vulnerable children. The public/private collaboration that resulted opened in 1994 and remains unique in the State and perhaps the country. During the year ending June 30, 2008, Casa Pacifica formally changed its name to Casa Pacifica Centers for Children and Families.

In 2000, Casa Pacifica extended its services off-campus and into the Ventura County community through an intensive, behavioral service intended to be an ancillary, “last effort” intervention delivered in their homes for children in jeopardy of being removed. In 2003, at the request of Santa Barbara County, Casa Pacifica began providing this same Therapeutic Behavioral Service (TBS) to that community as well. Casa Pacifica’s community-based programs in both Counties now include TBS, a comprehensive “Wraparound” program with the motto “whatever it takes” to keep families together, and a mobile intensive response crisis unit for psychiatric emergencies involving children and youth. All of these services are directed at children and families in the most challenging times and places of their lives and are designed to prevent out-of-home placement and help families over the barriers to their staying together.

Casa Pacifica is licensed and certified by California’s Departments of Social Services, Mental Health, Education, and Health Services and its programs and services are accredited by the National Council on Accreditation (COA) and the nonpublic special education school carries certification of the Western Association of Schools and Colleges (WASC). Casa Pacifica is active in national, state, interagency and community organizations, collaboratives, task forces, and work groups.

Casa Pacifica provides residential services, an emergency shelter, day treatment, and a non-public school on site. Casa Pacifica’s trained professionals, along with county partners, work with these children and their families in an effort to stop the cycle and heal the pain of abuse and neglect.

Casa Pacifica receives funding from county and state agencies with portions of their funding originating from the federal government, including use of Ventura County owned land upon which of operating facilities have been constructed. The fair value of such land use is not susceptible to reasonable estimation. Casa Pacifica also receives funding from private sources.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Casa Pacifica prepares its financial statements in accordance with generally accepted accounting principles (GAAP) promulgated in the United States of America. The significant accounting and reporting policies used by Casa Pacifica are described below to enhance the usefulness and understandability of the financial statements.

CASA PACIFICA CENTERS FOR CHILDREN AND FAMILIES
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012
(CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

The financial statements are presented based on ASC Topic 958, *Not-for-Profit Entities*. ASC Topic 958, Sections 210 and 225 requires classification of Casa Pacifica's net assets, revenues as well as expenses based on the existence or absence of donor-imposed restrictions. The statement requires presentation of the amounts for each of the three classes of net assets – permanently restricted, temporarily restricted, and unrestricted – in the statement of financial position and the amounts of change in each of those classes of net assets in the statement of activities.

Net Assets

The financial statements report net assets and changes in net assets in three classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

- *Unrestricted net assets.* Unrestricted net assets are resources available to support operations. The only limits on the use of unrestricted net assets are the broad limits resulting from the nature of Casa Pacifica, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.
- *Temporarily restricted net assets.* Temporarily restricted net assets are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Casa Pacifica's unspent contributions are classified in this class if the donor limited their use, as are the unspent appreciation of its donor-restricted endowment funds. When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from temporarily restricted to unrestricted net assets. Net assets restricted for acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as temporarily restricted until the specified asset is placed in service by Casa Pacifica, unless the donor provides more specific directions about the period of its use.
- *Permanently restricted net assets.* Permanently restricted net assets are resources whose use by Casa Pacifica is limited by donor-imposed restrictions that neither expire by being used in accordance with a donor's restriction nor by the passage of time.

All revenues and net gains are reported as increases in unrestricted net assets in the statement of activities unless the use of the related resources is subject to temporary or permanent donor restrictions. All expenses and net losses other than losses on endowment investments are reported as decreases in unrestricted net assets.

CASA PACIFICA CENTERS FOR CHILDREN AND FAMILIES
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Cash Equivalents

Cash equivalents are short term, interest bearing, highly liquid investments with original maturities of three months or less, unless the investments are held for meeting restrictions of a capital or endowment nature. At year-end, and throughout the year, Casa Pacifica's cash balances, deposited in one bank, exceeded federally insured limits. Management believes Casa Pacifica is not exposed to any significant credit risk on cash and cash equivalents.

Receivables

Receivables are primarily unsecured amounts due from grantors on cost reimbursement or performance grants.

Receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that remain outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

A significant portion of Casa Pacifica's income is derived from pass through counties' DMH programs. These revenues are based, in part, on cost reimbursement principles and are subject to audit and retroactive adjustment by the respective third-party fiscal intermediaries. As of June 30, 2012, Casa Pacifica has made a provision of \$897,408 for bad debts and the possible disallowance of DMH revenues for all fiscal years for which final settlements have not been reached. Such allowance is established by management's best estimate based on past experience.

Other receivables consist of various education assistance advances and other non-government receivables deemed fully collectible at June 30, 2012.

Accounting for Contributions

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in unrestricted net assets unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in either temporarily restricted or permanently restricted net assets, consistent with the nature of the restriction. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as temporarily restricted until the payment is due unless the contribution is clearly intended to support activities of the current fiscal year or is received with permanent restrictions. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

CASA PACIFICA CENTERS FOR CHILDREN AND FAMILIES
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Contributed Goods and Services (In-Kind)

Contributions of goods received that are measurable are recorded as revenue at their estimated fair value when received. Contributions of services are recognized if the services received meet any of these criteria: (1) if they create or enhance nonfinancial assets and (2) if they require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Casa Pacifica benefits from personal services provided by a substantial number of volunteers. Those volunteers have donated significant amounts of time and services in Casa Pacifica's program operations and in its fund-raising campaigns. However, the majority of the contributed services do not meet the criteria for recognition in financial statements.

Government Revenue

Government revenue is recognized when the qualifying costs are incurred for cost-reimbursement grants or contracts or when a unit of service is provided for performance grants. Government revenue from federal agencies is subject to independent audit under the Office of Management and Budget Circular A-133 and review by grantor agencies. The review could result in the disallowance of expenditures under the terms of the grant or reductions of future grant funds. Based on prior experience, Casa Pacifica's management believes that costs ultimately disallowed, if any, would not materially affect the financial position of Casa Pacifica.

Property and Equipment

Land, buildings, property, and equipment are reported in the statement of financial position at cost, if purchased, and at fair value at the date of donation, if donated. All land, buildings, and property are capitalized. Equipment is capitalized if it has a cost of \$5,000 or more and a useful life when acquired of more than 1 year. Repairs and maintenance that do not significantly increase the useful life of the asset are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, as follows:

Appliances	7 years
Buildings and improvements	40 years
Furniture and Equipment	3-5 years
Infrastructure items: phone system, voicemail	7 years
Landscaping	3 years
Leasehold improvements	20 years, or remaining lease term, if shorter
Software, Computers and printers	1- 3 years

Property and equipment are reviewed for impairment when a significant change in the asset's use or another indicator of possible impairment is present. No impairment losses were recognized in the financial statements in the current period.

CASA PACIFICA CENTERS FOR CHILDREN AND FAMILIES
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Income Taxes

Casa Pacifica is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and California income taxes under section 23701(d) of the California Revenue and Taxation Code. The IRS classified the organization as one that is not a private foundation within the meaning of section 509(a) of the Code because it is an organization described in section(s) 509(a)(1) and 170(b)(1)(A)(vi).

Casa Pacifica has adopted Financial Accounting Standards Board Accounting Standards Codification (ASC) Section 740-10, which clarifies the accounting for uncertainty in income taxes. ASC Section 740-10 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC Section 740-10 requires that an organization recognize in the financial statements the impact of the tax position if that position will more likely than not be sustained on audit, based on the technical merits of the position. As of and for the year ended June 30, 2012, Casa Pacifica had no material unrecognized tax benefits, tax penalties or interest.

Casa Pacifica's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ending 2010, 2009, 2008, are subject to examination by the IRS, generally for 3 years after they were filed.

Expense Recognition and Allocation

The cost of providing Casa Pacifica's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited.

General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of Casa Pacifica.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. Casa Pacifica generally does not conduct its fundraising activities in conjunction with its other activities. In the few cases in which it does, such as when the annual report or donor acknowledgements contain requests for contributions, joint costs have been allocated between fundraising and management and general expenses in accordance with standards for accounting for costs of activities that include fundraising. Additionally, advertising costs are expensed as incurred. Total advertising costs for the year ended were \$29,382.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, Casa Pacifica's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. Casa Pacifica's management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

CASA PACIFICA CENTERS FOR CHILDREN AND FAMILIES
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Reclassifications

Certain amounts in the 2011 comparative totals have been reclassified to conform with the 2012 reporting format.

Comparative Totals

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Casa Pacifica's financial statements for the year ended June 30, 2011 from which the summarized information was derived.

Fair Value Measurements

Casa Pacifica reports its fair value measures using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs used to measure fair value are as follows:

- *Level 1* - Quoted prices for identical assets or liabilities in active markets to which Casa Pacifica has access at the measurement date.
- *Level 2* - Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include
 - quoted prices for similar assets or liabilities in active markets;
 - quoted prices for identical or similar assets in markets that are not active;
 - observable inputs other than quoted prices for the asset or liability (for example, interest rates and yield curves); and
 - inputs derived principally from, or corroborated by, observable market data by correlation or by other means.
- *Level 3* - Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value to the extent that observable inputs are not available.

The carrying amounts of cash and cash equivalents and accounts receivable approximate fair value because of the terms and relatively short maturity of these financial instruments. The mutual funds are value at quoted market prices, which represent the net asset value of shares held by Casa Pacifica at year end.

The carrying amounts of cash surrender value and real estate assets are measured and reported at fair value as level 3 inputs. The carrying amounts did not change from June 30, 2011.

The carrying amounts of liabilities, approximate fair value because of the relatively short maturity of these financial instruments.

When available, Casa Pacifica measures fair value using level 1 inputs because they generally provide the most reliable evidence of fair value.

CASA PACIFICA CENTERS FOR CHILDREN AND FAMILIES
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012
(CONTINUED)

3. INVESTMENTS

Casa Pacifica measures fair value in accordance with FASB ASC 820-10. FASB ASC 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels; Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs, other than the quoted prices in active markets, are observable either directly or indirectly, and Level 3 unobservable inputs in which there is little or no market data, which requires Casa Pacifica to develop its own assumptions. Casa Pacifica uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, Casa Pacifica measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available. Assets reported at fair value at June 30, 2012, are Level 1 and Level 3 inputs.

Investments consist of the following at June 30, 2012:

	<u>Fair Value</u>
Mutual funds – equity funds	\$ 832,318
Mutual funds – REITs	120,125
Mutual funds – fixed income	40,624
Marketable alternative investments	61,720
U.S. common stocks	19,275
Real estate assets	<u>10,500</u>
Total Investments	<u>\$ 1,084,562</u>

All investments except for real estate assets are measured and reported at fair value as level 1 inputs. Real estate assets are based on separate appraisals and are measured and reported at fair value as level 3 inputs.

As discussed in Note 2 to these financial statements, Casa Pacifica is required to report its fair value measurements in one of three levels, which are based on the ability to observe in the marketplace the inputs to Casa Pacifica's valuation techniques. Level 1, the most observable level of inputs, is for investments measured at quoted prices in active markets for identical investments as of the June 30, 2012. Level 2 is for investments measured using inputs such as quoted prices for similar assets, quoted prices for the identical asset in inactive markets, and for investments measured at net asset value that can be redeemed in the near term. Level 3 is for investments measured using inputs that are unobservable, and is used in situations for which there is little, if any, market activity for the investment.

	<u>Total</u>	<u>Level 1</u>	<u>Level 3</u>
Mutual funds – equity funds	\$ 832,318	\$ 832,318	\$ -
Mutual funds – REITs	120,125	120,125	-
Mutual funds – fixed income	40,624	40,624	-
Marketable alternative investments	61,720	61,720	-
U.S. common stocks	19,275	19,275	-
Real estate assets	<u>10,500</u>	<u>-</u>	<u>10,500</u>
	<u>\$ 1,084,562</u>	<u>\$ 1,074,062</u>	<u>\$ 10,500</u>

CASA PACIFICA CENTERS FOR CHILDREN AND FAMILIES
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

3. INVESTMENTS – Continued

At June 30, 2012, Casa Pacifica did not have any investments measured using level 2 inputs. The composition of the investment return reported in the statement of activities as follows:

Interest and dividend income	\$ 33,987
Realized gain/loss of investments	23,374
Unrealized gain/loss of investments	<u>(85,853)</u>
Total investment return	<u>\$ (29,492)</u>

Level 3 composition of investments as of June 30, 2012, is as follows:

	Cash <u>Surrender Value</u>	Real Estate <u>Assets</u>	<u>Total</u>
Level 3 assets, July 1, 2011	\$ 122,290	\$ 10,500	\$ 132,790
Additions during the year	-	-	-
Deletions during the year	<u>-</u>	<u>-</u>	<u>-</u>
Level 3 assets, June 30, 2012	<u>\$ 122,290</u>	<u>\$ 10,500</u>	<u>\$ 132,790</u>

Cash surrender value and real estate assets level 3 valuations did not change from 2011.

4. PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2012, consist of the following:

Building	\$ 8,977,348
Buildings and improvements	2,202,233
Construction in progress	66,111
Equipment and furnishings	2,750,101
Leasehold improvements	210,291
Vehicles	<u>743,040</u>
	14,949,124
Less: accumulated depreciation	<u>(8,429,103)</u>
	<u>\$ 6,520,021</u>

Total depreciation expense for the year ended June 30, 2012 was \$558,752.

CASA PACIFICA CENTERS FOR CHILDREN AND FAMILIES
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012
(CONTINUED)

5. ACCRUED UNEMPLOYMENT LIABILITY

Casa Pacifica has elected to be self-insured for the purposes of California State Unemployment Insurance. Estimated accrued unemployment liability at June 30, 2012, of \$175,847 represents estimated future claims arising from payroll paid to June 30, 2012. Unemployment expense for the year ended June 30, 2012, was \$55,802.

6. BORROWING AGREEMENTS

Casa Pacifica has a term loan with Montecito Bank and Trust maturing August 1, 2014. The loan is secured by Casa Pacifica assets and was funded on July 22, 2010 in the principal amount of \$154,321 to finance the training and customization of an electronic health record software system. The loan carries a variable interest rate of .50 percentage points over an index rate of 3.250% with a floor of 4.75%. The balance owed at June 30, 2012 was \$84,050.

Casa Pacifica has a note payable to the California Health Facilities Financing authority maturing December 31, 2013. The loan is secured by Casa Pacifica buildings in Camarillo, California and carries a 3% interest rate. The balance owed at June 30, 2012 was \$171,504.

Borrowing agreements mature as follows:

<u>Year ended June 30,</u>	
2013	\$ 146,761
2014	105,453
2015	<u>3,340</u>
	<u>\$ 255,554</u>

Casa Pacifica has a renewable revolving bank line of credit maturing August 1, 2012 in the amount of \$1,350,000. Of the total line balance, \$300,000 serves as a Standby Letter of Credit securing its lease commitment on the office building in Camarillo, California. The Standby Letter reduces in value by \$50,000 each January and the requirement for the Standby Letter expires in December 2016. The Line of credit bears a variable interest rate with a floor of 4.25%. The line of credit agreements contains certain covenants which were in compliance during the year ended June 30, 2012. There was no balance due under this line of credit at June 30, 2012. The line of credit maturity extended and renewal is anticipated.

CASA PACIFICA CENTERS FOR CHILDREN AND FAMILIES
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012
(CONTINUED)

7. OPERATING LEASE COMMITMENTS

Obligations Under Operating Leases

Casa Pacifica leases facilities, vehicles, and equipment under operating leases with various terms. Future minimum payments, by year and in the aggregate, under these leases with initial or remaining terms of one year or more consist of the following:

<u>Year ended June 30,</u>	
2012	\$ 852,494
2013	859,196
2014	753,528
2015	744,124
2016	759,602
Thereafter	777,644
	<u>\$ 4,746,588</u>

Rent facilities and equipment rental expense under operating leases for the year ended June 30, 2012, were \$799,353 and \$172,295, respectively.

8. DEFERRED COMPENSATION PLAN

Casa Pacifica's Board of Directors entered into an agreement to sponsor an Internal Revenue Code Section 457 Deferred Compensation Plan (the Plan) that covers the Chief Executive Officer and Chief Financial Officer. As of June 30, 2012, \$259,714 has been accrued toward the Plan for the Chief Executive Officer and Chief Financial Officer, with the related assets included in investments.

9. CONTRIBUTORY RETIREMENT PLAN

Casa Pacifica maintains a single-employer defined contribution plan covering all employees of the agency who have completed one year of service and are age twenty-one or older. Employees contribute up to 75% of pretax annual compensation. Casa Pacifica makes matching contributions equal to 100% on the first 5% of the employee's compensation which is deferred as an elective deferral. Matching contributions are made each payroll period. During the year ended June 30, 2012 Casa Pacifica made contributions to the retirement plan of \$266,432.

CASA PACIFICA CENTERS FOR CHILDREN AND FAMILIES
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012
(CONTINUED)

10. RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2012, consist of the following programs:

Capital Projects	\$ 56,940
Change a Life	9,436
Health Clinic	2,350
Transitional Age Youth	662,507
Scholarships	46,859
Other programs	<u>20,374</u>
	<u>\$ 798,466</u>

Permanently restricted net assets at June 30, 2012, consist of the following:

Endowment Fund at VCCF	\$ 110,341
Scholarship Fund	<u>14,609</u>
	<u>\$ 124,950</u>

Casa Pacifica's endowment consists of two individual fund established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of Casa Pacifica has interpreted State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted permanent endowment funds unless there are explicit donor stipulations to the contrary. As a result of this interpretation, Casa Pacifica classifies as permanently restricted net assets (a) the original value of gifts donated to all donor-restricted permanent endowments, (b) the original value of any subsequent gifts to donor-restricted permanent endowments, and (c) the original value of accumulations to donor-restricted permanent endowments made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of a donor-restricted permanent endowment fund is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by Casa Pacifica in a manner consistent with the standard of prudence prescribed by SPMIFA.

CASA PACIFICA CENTERS FOR CHILDREN AND FAMILIES
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

10. RESTRICTED NET ASSETS – Continued

In accordance with SPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the endowment fund
- The purposes of Casa Pacifica and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Casa Pacifica
- The investment policy of Casa Pacifica

The net asset composition of the endowment as of June 30, 2012, is as follows:

Type-of Endowment Fund	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted funds:		
Permanent endowment	\$ 124,950	\$ 124,950
Total	<u>\$ 124,950</u>	<u>\$ 124,950</u>

The changes in endowment net assets for the year ended June 30, 2012, are as follows:

	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, July 1, 2011	\$ 138,657	\$ 138,657
Investment return:		
Investment income	1,876	1,876
Net gains (realized and unrealized)	<u>1,635</u>	<u>1,635</u>
Total investment return	3,511	3,511
Contributions	100	100
Appropriation of endowment assets for expenditure	<u>(17,318)</u>	<u>(17,318)</u>
Endowment net assets, June 30, 2012	<u>\$ 124,950</u>	<u>\$ 124,950</u>

The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by SPMIFA is \$124,950 at June 30, 2012.

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or SPMIFA requires Casa Pacifica to retain as a fund of perpetual duration. Deficiencies of this nature are reported in unrestricted net assets, when applicable. There were no such deficiencies as of June 30, 2012.

CASA PACIFICA CENTERS FOR CHILDREN AND FAMILIES
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012
(CONTINUED)

11. COMMITMENTS AND CONTINGENCIES

Grant

Casa Pacifica entered into a grant agreement with the County of Ventura to help fund the cost of the design, location, and establishment of crisis care and residential treatment center facilities for abused, neglected, abandoned, and other high-risk children in Ventura County. As part of this grant agreement the County of Ventura retains the right to occupy, rent-free, a specific portion of the square footage of the facility actually constructed.

Community Development Block Grants

Prior to the year ending June 30, 2011 the County of Ventura has utilized a portion of its community development block grants to enable Casa Pacifica to renovate certain properties and install security and safety devices. In return, Casa Pacifica issued grants of lien and has assigned a portion of its proceeds to the County of Ventura in the event of possible future sale of the properties. It is not possible at this time to determine the extent of Casa Pacifica's liability, if any.

Contracts

Casa Pacifica's grants and contracts are subject to inspection and audit by the appropriate governmental funding agencies. The purpose is to determine whether program funds were used in accordance with their respective guidelines and regulations. The potential exists for disallowance of previously funded program costs. The ultimate liability, if any, which may result from these governmental audits cannot be reasonably estimated.

Construction in Progress

Casa Pacifica executed several construction contracts for expansion of its residential campus. Related costs are included in Construction In Progress – Property and Equipment in the Statement of Financial Position at June 30, 2012.

Litigation

Casa Pacifica is involved in certain litigation, arising from operations, the ultimate outcome of which is not susceptible to reasonable estimation. Management believes that any potential settlements will be compensated from existing insurance coverage.

CASA PACIFICA CENTERS FOR CHILDREN AND FAMILIES
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012
(CONTINUED)

12. SUBSEQUENT EVENTS

Casa Pacifica has evaluated events subsequent to June 30, 2012, to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through November 27, 2012, the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or additional disclosure in the financial statements.

13. CONCENTRATION RISK

Amounts held in financial institutions occasionally are in excess of the Federal Deposit Insurance Corporation and Securities Investor Protection Corporation limits. Casa Pacifica deposits its cash with high quality financial institutions, and management believes Casa Pacifica is not exposed to significant credit risk on those amounts.

For the year ended, June 30, 2012, Casa Pacifica derived 63.1% of its earned revenue from its mental health programs, 28.6% of its revenue from its residential programs, and 5.9% of its revenue from its non-public school programs.

The majority of Casa Pacifica's contributions and grants are received from corporations, foundations, and individuals and from agencies throughout the state of California. As such, Casa Pacifica's ability to generate resources via contributions and grants is dependent upon the economic health of that area and of the state of California. An economic downturn could cause a decrease in contributions and grants that coincides with an increase in demand for Casa Pacifica's services.

Casa Pacifica's investments are subject to various risks, such as interest rate, credit, and overall market volatility risks. Further, because of the significance of the investments to Casa Pacifica's financial position and the level of risk inherent in most investments, it is reasonably possible that changes in the values of these investments could occur in the near term and such changes could materially affect the amounts reported in the financial statements. Management is of the opinion that the diversification of its invested assets among the various asset classes should mitigate the impact of changes in any one class.

**INFORMATION REQUIRED BY *GOVERNMENT AUDITING STANDARDS*
AND OMB CIRCULAR A-133**

**CASA PACIFICA CENTERS FOR CHILDREN AND FAMILIES
(A California Non-Profit Corporation)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified.

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified? _____ Yes X None Reported
- Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified? _____ Yes X None Reported

Type of auditors' report issued on compliance for major programs Unqualified.

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? _____ Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.658	Foster Care_Title IV-E
93.778	Medical Assistance Program

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? X Yes _____ No

Section II - Financial Statement Findings

No matters were reported.

Section III - Federal Award Findings and Questioned Costs

No matters were reported.

**INDEPENDENT AUDITORS' REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors of
Casa Pacifica Centers for Children and Families (CPCCF)
(A California Non-Profit Corporation)
Camarillo, California

We have audited the financial statements of Casa Pacifica Centers for Children and Families (A California Non-Profit Corporation) as of and for the year ended June 30, 2012, and have issued our report thereon dated November 27, 2012. We conducted our audit 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.

Internal Control Over Financial Reporting

Management of Casa Pacifica Centers for Children and Families is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Casa Pacifica Centers for Children and Families' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Casa Pacifica Centers for Children and Families' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Casa Pacifica Centers for Children and Families' internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Casa Pacifica Centers for Children and Families' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors, management, others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Vorwin, Hays + Co.

November 27, 2012

**INDEPENDENT AUDITORS' REPORT
ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Directors of
Casa Pacifica Centers for Children and Families (CPCCF)
(A California Non-Profit Corporation)
Camarillo, California

Compliance

We have audited Casa Pacifica Centers for Children and Families (A California Non-Profit Corporation) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Casa Pacifica Centers for Children and Families' major federal programs for the year ended June 30, 2012. Casa Pacifica Centers for Children and Families' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Casa Pacifica Centers for Children and Families' management. Our responsibility is to express an opinion on Casa Pacifica Centers for Children and Families' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Casa Pacifica Centers for Children and Families' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Casa Pacifica Centers for Children and Families' compliance with those requirements.

In our opinion, Casa Pacifica Centers for Children and Families complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of Casa Pacifica Centers for Children and Families is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Casa Pacifica Centers for Children and Families' internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Casa Pacifica Centers for Children and Families' internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above.

This report is intended solely for the information and use of the Board of Directors, management, others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Vorwin, Hays + Co.

November 27, 2012

CASA PACIFICA CENTERS FOR CHILDREN AND FAMILIES
(A California Non-Profit Corporation)
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2012
(FEIN 77-0195022)

Federal Grantor, Pass Through Grantor, Program Title	Federal CFDA Number	Government Revenue		Expenditures From Federal, Non-Federal and State Government Revenue
		Federal	Nonfederal	
MAJOR PROGRAMS				
U.S. Department of Health and Human Services				
Passed Through the California Department of Social Services				
Foster Care - Title IV-E	93.658	\$ 2,314,281	\$ 3,858,323	\$ 6,172,604
Training Program	93.658	289,396	-	289,396
Foster Care_Title IV-E	93.658	2,603,677	3,858,323	6,462,000
Passed Through the California Department of Social Services				
Passed Through the County of Ventura	93.778	3,430,524	4,577,673	8,008,197
Passed Through Various Counties	93.778	1,717,139	1,897,139	3,614,278
Medical Assistance Program	93.778	5,147,663	6,474,812	11,622,475
TOTAL MAJOR PROGRAMS EXPENDITURES		\$ 7,751,340	\$ 10,333,135	\$ 18,084,475
OTHER FEDERAL PROGRAMS				
U.S. Department of Agriculture				
Passed Through the California Department of Education				
School Breakfast Program	10.553	\$ 33,151	\$ -	\$ 33,151
Passed Through the California Department of Education				
National School Lunch Program	10.555	30,742	-	30,742
Passed through the California Department of Education				
After School Snack Program	10.CFDA	7,988	-	7,988
TOTAL OTHER FEDERAL PROGRAMS		71,881	-	71,881
TOTAL FEDERAL EXPENDITURES		\$ 7,823,221	\$ 10,333,135	\$ 18,156,356
STATE FUNDING				
California Department of Education				
Passed Through Various School Districts				
Special Education		\$ -	\$ 1,130,477	\$ 1,130,477
Transportation		-	202,530	202,530
County of Ventura Human Services Agency:				
Wrap Around Program		-	1,440,672	1,440,672
Shelter Safety Watch and Program Support		-	229,912	229,912
CITY and PCIT Program Support		-	48,587	48,587
County of Santa Barbara Department of Social Services				
Wrap Around Program		-	673,871	673,871
California State Department of Health and Human Services				
Child Health Disease Prevention/State MediCal		-	24,933	24,933
TOTAL STATE EXPENDITURES		\$ -	\$ 3,750,982	\$ 3,750,982
TOTAL FEDERAL AND STATE EXPENDITURES		\$ 7,823,221	\$ 14,084,117	\$ 21,907,338

CASA PACIFICA CENTERS FOR CHILDREN AND FAMILIES
(A California Non-Profit Corporation)
NOTES SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012
(FEIN 77-0195022)

1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Casa Pacifica Centers for Children and Families under programs of the federal government for the year ended June 30, 2012. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Casa Pacifica Centers for Children and Families, it is not intended to and does not present the financial position, changes in net assets or cash flows of Casa Pacifica Centers for Children and Families.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

**CASA PACIFICA CENTERS FOR CHILDREN AND FAMILIES
(A California Non-Profit Corporation)
FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

CURRENT YEAR FINDINGS:

2012 Findings:

There were no 2012 findings noted.

2012 Questioned Costs:

There were no 2012 questioned costs noted.

PRIOR YEARS FINDINGS AND QUESTIONED COSTS:

2011 Findings:

There were no 2011 findings noted.

2011 Questioned Costs:

There were no 2011 questioned costs noted.

2010 Findings:

There were no 2010 findings noted.

2010 Questioned Costs:

There were no 2010 questioned costs noted.