

**CASA PACIFICA CENTERS FOR
CHILDREN AND FAMILIES**

**SINGLE AUDIT REPORTS AND
FINANCIAL STATEMENTS**

FOR THE YEAR ENDED JUNE 30, 2017

VASIN, HEYN & COMPANY

ABOVE THE BRIGHT LINE

AN ACCOUNTANCY CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS | AUDITORS AND ADVISERS

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

Report on the Financial Statements

We have audited the accompanying financial statements of Casa Pacifica Centers for Children and Families (A California Non-Profit Corporation) which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITORS' REPORT (Continued)

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, 2017, 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.

Report on Summarized Comparative Information

We previously audited Casa Pacifica Centers for Children and Families' 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 31, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

The summary financial statements do not contain all the disclosures required by accounting principles generally accepted in the United States of America. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of Casa Pacifica Centers for Children and Families.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal and State Awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. 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 information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2017, 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 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 Casa Pacifica Centers for Children and Families' internal control over financial reporting and compliance.

Vosin, Hryn + Co.

Calabasas, California
November 28, 2017

CASA PACIFICA CENTERS FOR CHILDREN AND FAMILIES
(A California Non-Profit Corporation)
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017
(WITH COMPARATIVE TOTALS FOR 2016)

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and cash equivalents	\$ 9,602,628	\$ 7,020,380
Contracts receivable	4,256,667	3,843,745
Other receivables	10,850	8,234
Investments	1,405,363	1,265,267
Deposits and prepaid expenses	452,659	513,687
Other asset - cash surrender value of life insurance	-	196,000
Beneficial interest in funds held by others	125,644	112,437
Property and equipment, net	<u>6,741,888</u>	<u>5,821,649</u>
 Total assets	 <u>\$ 22,595,699</u>	 <u>\$ 18,781,399</u>
LIABILITIES		
Accounts payable and accrued expenses	\$ 2,321,608	\$ 2,210,652
Accrued payroll and related liabilities	2,307,765	2,068,587
Contract advances	10,000	10,000
Loan payable	750,000	-
Line of credit	1,000,000	750,000
Unearned revenue	<u>11,320</u>	<u>27,897</u>
 Total liabilities	 6,400,693	 5,067,136
COMMITMENTS AND CONTINGENCIES		
NET ASSETS		
Unrestricted:		
Undesignated	6,687,403	5,728,956
Board designated, endowment fund	125,644	112,437
Board designated, other	917,026	842,412
Temporarily restricted	8,451,158	7,016,536
Permanently restricted	<u>13,775</u>	<u>13,922</u>
 Total net assets	 <u>16,195,006</u>	 <u>13,714,263</u>
 Total liabilities and net assets	 <u>\$ 22,595,699</u>	 <u>\$ 18,781,399</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, 2017
(WITH COMPARATIVE TOTALS FOR 2016)

	2017			2016	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
REVENUE AND SUPPORT					
Governmental service contracts	\$ 22,421,280	\$ -	\$ -	\$ 22,421,280	\$ 23,514,964
Non-governmental service contracts	3,507,349	-	-	3,507,349	1,308,984
Fundraising revenue:					
Contributions and grants	976,303	3,770,262	-	4,746,565	3,095,426
Special event revenue	<u>1,747,695</u>	<u>-</u>	<u>-</u>	<u>1,747,695</u>	<u>1,537,529</u>
	2,723,998	3,770,262	-	6,494,260	4,632,955
Interest and dividend income	54,198	-	3	54,201	62,233
Gain (loss) on investments	115,775	-	-	115,775	(44,236)
Gain (loss) on sale of assets	3,275	-	-	3,275	6,760
Other income	14,472	-	-	14,472	(24,121)
Contract settlements	187,969	-	-	187,969	339,330
Restrictions released	<u>2,335,790</u>	<u>(2,335,640)</u>	<u>(150)</u>	<u>-</u>	<u>-</u>
Total revenue, support and restrictions released	31,364,106	1,434,622	(147)	32,798,581	29,796,869
EXPENSES					
Program services	24,991,644	-	-	24,991,644	24,236,938
Support services	3,206,976	-	-	3,206,976	3,097,347
Fundraising expenses:					
Special event expenses	1,133,999	-	-	1,133,999	1,161,371
Other fundraising expenses	<u>985,219</u>	<u>-</u>	<u>-</u>	<u>985,219</u>	<u>706,198</u>
	2,119,218	-	-	2,119,218	1,867,569
Total expenses	<u>30,317,838</u>	<u>-</u>	<u>-</u>	<u>30,317,838</u>	<u>29,201,854</u>
CHANGE IN NET ASSETS	1,046,268	1,434,622	(147)	2,480,743	595,015
NET ASSETS - beginning of year	<u>6,683,805</u>	<u>7,016,536</u>	<u>13,922</u>	<u>13,714,263</u>	<u>13,119,248</u>
NET ASSETS - end of year	<u>\$ 7,730,073</u>	<u>\$ 8,451,158</u>	<u>\$ 13,775</u>	<u>\$ 16,195,006</u>	<u>\$ 13,714,263</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, 2017
(WITH COMPARATIVE TOTALS FOR 2016)

	Program Services	Support Services	Fundraising Expenses	2017 Total Expenses	2016 Total Expenses
Salaries and related expenses					
Salaries	\$ 14,436,377	\$ 2,526,297	\$ 462,200	\$ 17,424,874	\$ 17,355,862
Payroll taxes	1,054,962	167,861	33,101	1,255,924	1,246,626
Employee benefits	<u>2,340,275</u>	<u>587,228</u>	<u>100,760</u>	<u>3,028,263</u>	<u>2,946,899</u>
	17,831,614	3,281,386	596,061	21,709,061	21,549,387
Other expenses					
Advertising and recruiting	130,383	75,680	98,819	304,882	93,641
Auto expense	387,376	17,291	4,385	409,052	420,983
Bad debt	122,581	30,000	-	152,581	26,664
Board expenses	81	1,871	6,136	8,088	8,596
Child related costs	294,222	-	317	294,539	243,765
Computer expenses (Note 13)	1,189,283	(527,771)	46,774	708,286	580,900
Conferences and meetings	99,001	80,128	16,944	196,073	202,520
Dues and subscriptions	1,211	67,792	2,727	71,730	82,041
Education and training	34,054	48,979	753	83,786	95,569
Equipment maintenance and rental	71,032	45,248	183,134	299,414	239,878
Food costs	540,925	22,138	-	563,063	552,452
In-kind, advertising/promotion	-	-	221,116	221,116	212,928
In-kind expenses, client supplies	354,354	8,214	674	363,242	264,639
Insurance	274,886	22,136	3,981	301,003	283,135
Interest and related expenses	488	116,162	3,820	120,470	78,624
Licenses and fees	1,588	-	175	1,763	181
Memberships	368	-	-	368	222
Miscellaneous expenses	-	-	164	164	208
Office expenses	41,580	44,631	10,751	96,962	76,317
Outside services	603,901	242,310	58,841	905,052	628,951
Postage	1,956	9,996	3,656	15,608	17,696
Printing	7,825	5,886	41,161	54,872	69,595
Professional fees	360,757	30,544	-	391,301	274,291
Rent	679,260	75,837	-	755,097	779,070
Repairs and maintenance	158,156	231,231	408	389,795	309,530
Small equipment	-	-	-	-	148,228
Supplies	202,731	27,371	703,614	933,716	968,488
Taxes and licenses	55,027	14,247	986	70,260	74,429
Telephone	69,317	119,150	3,478	191,945	181,085
Transportation and travel	100,616	9,146	1,966	111,728	108,234
Utilities	60,691	157,915	-	218,606	220,149
Allocated facility expense	<u>1,000,466</u>	<u>(1,103,068)</u>	<u>102,602</u>	<u>-</u>	<u>-</u>
	24,675,730	3,154,450	2,113,443	29,943,623	28,792,396
Depreciation	<u>315,914</u>	<u>52,526</u>	<u>5,775</u>	<u>374,215</u>	<u>409,458</u>
Total expenses	<u>\$ 24,991,644</u>	<u>\$ 3,206,976</u>	<u>\$ 2,119,218</u>	<u>\$ 30,317,838</u>	<u>\$ 29,201,854</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, 2017
(WITH COMPARATIVE TOTALS FOR 2016)

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 2,480,743	\$ 595,015
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	374,215	409,458
Provision for bad debt	(152,581)	(26,664)
Noncash investment deposit in transit	-	(12,000)
In-kind, inventory (included in deposits and prepaid expenses)	339,255	-
Donated stock	(40,094)	(267,909)
(Gain) loss on investments	(102,361)	39,345
(Gain) loss on beneficial interest in funds held by others	(13,414)	4,891
(Gain) loss on sale of fixed assets	(3,275)	(6,760)
(Increase) decrease in:		
Contracts receivable, net of allowance	(260,341)	57,397
Other receivables	(2,616)	7,899
Deposits and prepaid expenses	(278,227)	(115,408)
Other asset - cash surrender value of life insurance	196,000	(7,000)
Increase (decrease) in:		
Accounts payable and accrued expenses	110,956	67,896
Accrued payroll and related liabilities	239,178	146,952
Unearned revenue	(16,577)	(6,288)
Total adjustments	390,118	291,809
Net Cash Provided (Used) by Operating Activities	2,870,861	886,824
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments related to the acquisition of fixed assets	(16,113)	(282,706)
Proceeds from sale of fixed assets	3,275	6,760
Proceeds from sale of investments	255,668	416,491
Proceeds from donated stock on investments	40,150	265,677
Purchase of investments	(293,459)	(482,930)
Reinvested funds, net of fees on beneficial interest in funds held by others	207	485
Net Cash Provided (Used) by Investing Activities	(10,272)	(76,223)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions restricted for purchases of fixed assets	(1,278,341)	-
Repayment on line of credit	(3,410,000)	(4,224,000)
Advances on line of credit	3,660,000	3,750,000
Proceeds of borrowings from loan payable	750,000	-
Net Cash Provided (Used) by Financing Activities	(278,341)	(474,000)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,582,248	336,601
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	7,020,380	6,683,779
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 9,602,628	\$ 7,020,380
Supplemental disclosures:		
Interest paid	\$ 59,992	\$ 32,475
In-kind revenue	\$ 339,255	\$ 340,125
In-kind expenses	\$ 584,358	\$ 472,617

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, 2017

1. ORGANIZATION

Casa Pacifica Centers for Children & Families 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.

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. Over the last 15 years Casa Pacifica’s services have continued to grow to respond to the increasing needs of our community. Indeed, we meet children and families at the most challenging times and places of their lives and work with them to prevent unnecessary hospitalizations and out-of-home placements and to help families overcome the barriers to their staying together as a family.

Today, with a staff approaching 400 and services provided to thousands of children and youth annually, Casa Pacifica is among the 10 largest nonprofits on California’s Central Coast. Casa Pacifica provides residential services, a range of intensive mental health services, and a non-public school on site, as well as a wide range of community based services all directed at helping children and youth to have the best chance at a successful life. 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 is licensed and certified by California’s Departments of Social Services, Education, and Health Care Services and its programs and services are accredited by the National Council on Accreditation (COA); the nonpublic special education school carries certification of the Western Association of Schools and Colleges (WASC) and is accredited by the National Council of Accreditation for Special Education Services (NCASES); and, the mobile crisis teams are accredited by the American Association of Suicidology (AAS). Casa Pacifica’s leadership is active in national, state, interagency and community organizations, collaboratives, task forces, and work groups. Casa Pacifica receives funding from county and state agencies with portions of their funding originating from the federal government. Casa Pacifica’s 25 acre campus sits on land leased from Ventura County and upon which operating facilities have been constructed. The fair value of such land use is not susceptible to reasonable estimation. The lease extends until 2053. Casa Pacifica also receives significant funding and support from the private sector.

CASA PACIFICA CENTERS FOR CHILDREN AND FAMILIES
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017
(CONTINUED)

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.

Financial Statement Presentation

The financial statements are presented based on Accounting Standards Codification (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, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Cash and Cash Equivalents

Cash and 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 through a portion of 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.

Contracts and Other 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 several California County Departments of Mental Health (DMH) programs. These revenues are based, in part, on cost reimbursement principles and are subject to audit and retroactive adjustment by the respective funders. Casa Pacifica has made a provision for possible uncollected or disallowed 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, 2017.

Investments

Investments in marketable securities with readily redeemable fair values and all investments in debt securities are carried at their fair market values in the statement of financial position. Unrealized gains and losses are included in the change in restricted net assets in the accompanying statement of activities.

Deposits and Prepaid Expenses

Prepaid deposits, insurance and other costs are expensed ratably over their respective terms of agreement.

Beneficial Interest in Funds Held by Others

Casa Pacifica has the unconditional right to receive all of the cash flows from its beneficial interest in the Ventura County Community Foundation. Casa Pacifica records its beneficial interest at the fair value using the present value of the estimated future cash. The balance at June 30, 2017 consists of mutual fund investments and money instruments stated at market value.

CASA PACIFICA CENTERS FOR CHILDREN AND FAMILIES
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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, equipment, and vehicles	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.

Personal Time Off Policy

Personal time off benefits are accrued on a monthly basis. Full-time employees accrue personal time off based upon years of service to Casa Pacifica as follows:

<u>Years Employed</u>	<u>Annualized Accrual</u>
1 to 24 Months	128 hours (16 days)
25 – 59 Months	148 hours (18.5 days)
60 – 119 Months	168 hours (21 days)
120 Months or More	208 hours (26 days)

Accumulated unpaid employee personal time off benefits are recognized as accrued liabilities of Casa Pacifica. Unused personal time off leave will be paid at the time of termination. Total accrued personal time off at June 30, 2017, was \$902,343.

Unearned Revenue

Unearned revenue consists primarily of fees collected in advance for the next year.

CASA PACIFICA CENTERS FOR CHILDREN AND FAMILIES
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

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.

Revenue Recognition

Revenues from government agencies, fees for services, and other third-party payors for services provided under such contracts are recognized when earned by Casa Pacifica. All gifts, bequests, and other public support are included in unrestricted net assets unless specifically restricted by the donor or the terms of the gift or grant instrument. Amounts received in excess of balances earned are recognized as liabilities in Contract Advances.

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 Uniform Guidance 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. Estimable uncollectible and disallowance costs have been provided for as described in Receivables above. An ongoing audit, conducted by a DMH funding agency, may produce disallowances which are not currently susceptible to reasonable estimation.

CASA PACIFICA CENTERS FOR CHILDREN AND FAMILIES
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

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, 2017, 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 each of the tax years ended June 30, 2016, 2015, and 2014, are subject to examination by the IRS, generally for 3 years after they were filed.

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, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Reclassifications

Certain amounts in the 2016 comparative totals have been reclassified to conform with the 2017 reporting format.

Comparative Totals

The financial statements include certain prior-year summarized comparative information. 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, 2016 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. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal or most advantageous market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. 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.

CASA PACIFICA CENTERS FOR CHILDREN AND FAMILIES
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 valued at quoted market prices, which represent the net asset value of shares held by Casa Pacifica at year end. The carrying amount of real estate assets are measured and reported at fair value as Level 3 inputs and the carrying amount at June 30, 2017 is \$10,500.

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.

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, 2017, are Level 1 and Level 3 inputs.

Investments consist of the following at June 30, 2017:

	<u>Total</u>	<u>Level 1</u>	<u>Level 3</u>
Open end mutual funds:			
Equity	\$ 1,014,942	\$ 1,014,942	\$ -
Fixed income	233,200	233,200	-
REITs	146,721	146,721	-
Real estate assets	<u>10,500</u>	<u>-</u>	<u>10,500</u>
Total investments	<u>\$ 1,405,363</u>	<u>\$ 1,394,863</u>	<u>\$ 10,500</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. At June 30, 2017, Casa Pacifica did not have any investments measured using Level 2 inputs.

CASA PACIFICA CENTERS FOR CHILDREN AND FAMILIES
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

3. INVESTMENTS - Continued

The composition of the investment return reported in the statement of activities as follows:

Interest and dividend income	\$ 52,461
Realized gain (loss) on investments	22,157
Unrealized gain (loss) on investments	<u>80,204</u>
Total investment return	<u>\$ 154,822</u>

Level 3 composition of assets as of June 30, 2017, is as follows:

	Cash <u>Surrender Value</u>	Real Estate <u>Assets</u>	<u>Total</u>
Level 3 assets, July 1, 2016	\$ 196,000	\$ 10,500	\$ 206,500
Additions during the year	-	-	-
Deletions during the year	<u>(196,000)</u>	<u>-</u>	<u>(196,000)</u>
Level 3 assets, June 30, 2017	<u>\$ -</u>	<u>\$ 10,500</u>	<u>\$ 10,500</u>

Real estate assets Level 3 valuations did not change from 2016.

4. BENEFICIAL INTEREST IN FUNDS HELD BY OTHERS

Casa Pacifica entered into an agreement with Ventura County Community Foundation (VCCF), whereby Casa Pacifica held a board designated endowment fund (the "Fund") to be used for various purposes. Casa Pacifica is named as the beneficiary of the Fund and receives income earned on the Fund. Casa Pacifica has the discretion to distribute the Fund and any future earnings for broad charitable uses. VCCF maintains separate accountability for the funds and classifies the balance as a funds held by others liability in its consolidated financial statements. At June 30, 2017, Casa Pacifica had a beneficial interest in the Fund and is stated at fair value as a Level 2 classification. The Fund's fair market value at June 30, 2017 was of \$125,644. The composition is as follows using Level 2 inputs:

Beginning balance	\$ 112,437
Dividends and interest reinvested	1,740
Realized and unrealized gain(loss)	<u>13,414</u>
	127,591
Less:	
Annual distributions	-
Fees	<u>(1,947)</u>
Total	<u>\$ 125,644</u>

CASA PACIFICA CENTERS FOR CHILDREN AND FAMILIES
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017
(CONTINUED)

5. PROPERTY AND EQUIPMENT, NET

Property and equipment at June 30, 2017, consist of the following:

Building	\$ 9,245,476
Buildings and improvements	2,338,033
Construction in progress	2,076,290
Equipment and furnishings	2,953,103
Leasehold improvements	200,667
Vehicles	<u>376,407</u>
	17,189,976
Less: accumulated depreciation	<u>(10,448,088)</u>
Total property and equipment, net	<u>\$ 6,741,888</u>

Total depreciation expense for the year ended June 30, 2017 was \$374,215.

6. 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, 2017, of \$74,184 represents estimated future claims arising from payroll paid to June 30, 2017. Unemployment expense for the year ended June 30, 2017, was \$80,170.

7. BORROWING ARRANGEMENTS

Line of Credit

Casa Pacifica has a renewable revolving bank line of credit in the amount of \$2,200,000 maturing September 5, 2017, which will be subsequently renewed through November 2018. Of the total line balance, \$150,000 served as a Standby Letter of Credit securing its lease commitment on the office building in Camarillo, California. The Standby Letter reduced in value by \$50,000 each January and the requirement for the Standby Letter expired in December 2016. The Line of credit bears a variable interest rate with a floor of 3.25%. The line of credit agreements contains certain covenants which were in compliance during the year ended June 30, 2017. The balance owed at June 30, 2017 was \$1,000,000. For the year ended June 30, 2017 interest expense was \$53,737.

Loan Payable

Casa Pacifica entered into a note payable with the Conrad N. Hilton Foundation effective November 2016. The lump sum of \$750,000 is due at the end of the loan term in November 2021. Interest is payable quarterly at 2% per annum, and the first interest payment was due three months after disbursement. The balance owed at June 30, 2017 was \$750,000. For the year ended June 30, 2017 interest expense was \$3,750.

CASA PACIFICA CENTERS FOR CHILDREN AND FAMILIES
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017
(CONTINUED)

8. 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>	
2018	\$ 719,943
2019	707,951
2020	583,057
2021	455,574
2022	265,814
Thereafter	<u>2,100</u>
Total	<u>\$ 2,734,439</u>

Rent for facilities, vehicles, and equipment rental expense under operating leases for the year ended June 30, 2017, were \$755,097, \$179,449, and \$272,141, respectively.

9. 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 a select group of management employees. As of June 30, 2017, \$559,890 has been accrued toward the Plan with the related assets included in investments.

10. 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, 2017 Casa Pacifica made contributions to the retirement plan of \$394,991.

CASA PACIFICA CENTERS FOR CHILDREN AND FAMILIES
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017
(CONTINUED)

11. RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2017, consist of amounts restricted by donor-imposed stipulations, and are available for the following purposes:

Grant	Balance 6/30/16	Income	Expenditures	Balance 6/30/17
Capital Campaigns	\$ 6,836,353	\$ 3,160,670	\$ (1,704,271)	\$ 8,292,752
Change a Life	1,950	-	-	1,950
Health Clinic	-	17,000	(17,000)	-
Educational Assistance	19,511	70,652	(22,300)	67,863
Milestones	21,679	-	(21,679)	-
Transitional Age Youth	120,090	39,000	(159,090)	-
Other	<u>16,953</u>	<u>482,940</u>	<u>(411,300)</u>	<u>88,593</u>
Total	<u>\$ 7,016,536</u>	<u>\$ 3,770,262</u>	<u>\$ (2,335,640)</u>	<u>\$ 8,451,158</u>

Permanently restricted net assets at June 30, 2017, are resources invested in perpetuity, the income which is available for the following purposes:

Scholarship Fund	\$ <u>13,775</u>
Total	\$ <u>13,775</u>

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, 2017

11. 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, 2017, is as follows:

Type-of Endowment Fund	Permanently <u>Restricted</u>
Donor-restricted funds:	
Scholarships	\$ 13,775
Total	<u>\$ 13,775</u>

The changes in endowment net assets for the year ended June 30, 2017, are as follows:

	Permanently <u>Restricted</u>
Endowment net assets, July 1, 2016	\$ 13,922
Investment return:	
Investment income	3
Net gains (realized and unrealized)	<u>-</u>
Total investment return	13,925
Contributions	-
Fees	<u>(150)</u>
Endowment net assets, June 30, 2017	<u>\$ 13,775</u>

The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by SPMIFA is \$13,775 at June 30, 2017.

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, 2017.

CASA PACIFICA CENTERS FOR CHILDREN AND FAMILIES
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017
(CONTINUED)

12. 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.

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, 2017.

Contingencies

From time to time, Casa Pacific may have certain contingent liabilities, including the results of on-going litigation that arise in the ordinary course of its business activities. Casa Pacifica accrues contingent liabilities when it is probable that future expenditures will be made and such expenditures can be reasonably estimated. In the opinion of management there are no pending claims of which the outcome is expected to result in a material adverse effect on the financial position, results of operations or cash flows of Casa Pacifica.

CASA PACIFICA CENTERS FOR CHILDREN AND FAMILIES
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017
(CONTINUED)

13. FUNCTIONAL AND NATURAL CLASSIFICATIONS

Casa Pacifica's allocated facility expenses are reimbursed by and allocated among the other divisions based on approved indirect cost rates. Accordingly, the indirect division is eliminated. Natural classifications of expenses are as follows:

Salaries	\$ 473,616
Payroll taxes	34,106
Employee benefits	126,838
Advertising and recruiting	370
Auto expense	12,956
Computer expenses	35,491
Equipment maintenance and rental	20,934
Insurance	8,393
Office expenses	1,459
Outside services	5,999
Rent	7,379
Repairs and maintenance	215,471
Supplies	9,457
Taxes and licenses	1,958
Telephone	1,290
Utilities	<u>147,351</u>
Total expenditures by natural categories	<u>\$ 1,103,068</u>

Natural classifications of in-kind expenses are as follows:

Donated goods and services	\$ 243,952
Inventory	119,290
Promotion/Advertising	<u>221,116</u>
Total	<u>\$ 584,358</u>

CASA PACIFICA CENTERS FOR CHILDREN AND FAMILIES
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

13. FUNCTIONAL AND NATURAL CLASSIFICATIONS - Continued

Natural classifications of intracompany information technology (IT) expenses, which are allocated among other programs, are as follows:

Salaries	\$ 420,663
Payroll taxes	30,232
Employee benefits	64,636
Auto expense	57
Computer expenses ¹	260,314
Conferences and meetings	134
Depreciation	244
Equipment maintenance and rental	899
Insurance	3,156
Office expenses	195
Outside services	28,031
Rent	29,568
Repairs and maintenance	3,353
Taxes and licenses	2,247
Telephone	103,116
Transportation and travel	17
Utilities	3,667
Total expenditures by natural categories	<u>\$ 950,529</u>
Computer expenses charged to IT ¹	\$ 260,314
Computer expenses charged to programs & support	<u>447,972</u>
Net computer expenses	<u>\$ 708,286</u>

14. FUNDRAISING EVENTS

Casa Pacifica conducts various special fundraising events and other fund development activities during the year. The revenue and expenses from these activities for the year ended June 30, 2017 were as follows:

	<u>Events</u>	<u>Other Fund Development</u>	<u>Total</u>
Contributions and grants		\$ 4,746,565	\$ 4,746,565
Special fundraising event revenue	\$ 1,747,695	-	1,747,695
Special fundraising event expenses	<u>(1,133,999)</u>	-	<u>(1,133,999)</u>
Special fundraising events, net revenue	613,696	4,746,565	5,360,261
Other fund development expenses	<u>-</u>	<u>(985,219)</u>	<u>(985,219)</u>
Net revenue from fund development activities	<u>\$ 613,696</u>	<u>\$ 3,761,346</u>	<u>\$ 4,375,042</u>

CASA PACIFICA CENTERS FOR CHILDREN AND FAMILIES
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017
(CONTINUED)

15. 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, 2017, Casa Pacifica derived 57% of its earned revenue from its mental health programs, 37% of its revenue from its residential programs, and 6% 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.

17. SUBSEQUENT EVENTS

Casa Pacifica has evaluated events subsequent to June 30, 2017, to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through November 28, 2017, 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.

**INFORMATION REQUIRED BY *GOVERNMENT AUDITING STANDARDS*
AND THE UNIFORM GUIDANCE**



VASIN, HEYN & COMPANY

ABOVE THE BRIGHT LINE



AN ACCOUNTANCY CORPORATION

CERTIFIED PUBLIC ACCOUNTANTS | AUDITORS AND ADVISERS

**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, in accordance with the 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, the financial statements of Casa Pacifica Centers for Children and Families (A California Non-Profit Corporation), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 28, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Casa Pacifica Centers for Children and Families internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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 a 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Casa Pacifica Centers for Children and Families financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vosin, Hryn + Co.

Calabasas, California
November 28, 2017



VASIN, HEYN & COMPANY

ABOVE THE BRIGHT LINE



AN ACCOUNTANCY CORPORATION

CERTIFIED PUBLIC ACCOUNTANTS | AUDITORS AND ADVISERS

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

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 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, 2017. 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.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, contracts, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Casa Pacifica Centers for Children and Families major federal programs based on our audit of the types of compliance requirements referred to above. 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 audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Casa Pacifica Centers for Children and Families compliance.

Opinion on Each Major Federal Program

In our opinion, Casa Pacifica Centers for Children and Families complied, in all material respects, with the types of 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, 2017.

Report on 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 types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Casa Pacifica Centers for Children and Families' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance required by the Uniform Guidance, 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Vosin, Hryn + Co.

Calabasas, California
November 28, 2017

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, 2017
(FEIN 77-0195022)

Federal Grantor, Pass Through Grantor, Program Title	Federal CFDA Number	Pass-Through Grantor Number	Government Revenue		Expenditures From Federal Government Revenue	Expenditures From Non-Federal and State Government Revenue	Payments to Subrecipients
Federal			Federal	Nonfederal			
U.S. Department of Health and Human Services							
Passed Through the California Department of Social Services							
Foster Care - Title IV-E	93.658	1566.00.01 / 1566.00.02	\$ 994,162	\$ 4,103,622	\$ 994,162	\$ 4,103,622	\$ -
Training Program	93.658	1566.18.01 / 1566.01.02	308,859	-	308,859	-	-
Foster Care_Title IV-E	93.658	None Assigned	1,303,021	4,103,622	1,303,021	4,103,622	-
Passed Through the California Department of Social Services							
HRSA							
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	G02HP27929	69,864	-	69,864	-	-
Passed Through the California Department of Social Services							
		51300001193/ 51300001212					
		51300001229 / 51300001397					
		51300001192 / 51300001213					
Passed Through the County of Ventura	93.778	51800000303	3,309,457	3,309,457	3,309,457	3,309,457	-
Passed Through the County of Santa Barbara	93.778	BC 17-084	1,729,471	1,973,766	1,729,471	1,973,766	-
Passed Through the County of Imperial	93.778	None Assigned	24,469	24,469	24,469	24,469	-
Passed Through the County of Monterey	93.778	A12716	52,853	52,853	52,853	52,853	-
Passed Through the County of Riverside	93.778	None Assigned	4,233	4,233	4,233	4,233	-
Passed Through the County of Sacramento	93.778	7202400-17-120	17,197	17,197	17,197	17,197	-
Passed Through the County of San Luis Obispo	93.778	None Assigned	47,814	47,814	47,814	47,814	-
Passed Through the County of Sutter	93.778	16-166	77,260	77,260	77,260	77,260	-
Medical Assistance Program	93.778		5,262,754	5,507,049	5,262,754	5,507,049	-
Total U.S. Department of Health and Human Services			\$ 6,635,639	\$ 9,610,671	\$ 6,635,639	\$ 9,610,671	\$ -
Child Nutrition Cluster:							
U.S. Department of Agriculture							
Passed Through the California Department of Education							
School Breakfast Program	10.553	03072-SN-56-R	\$ 30,068	\$ -	\$ 30,068	\$ -	\$ -
Passed Through the California Department of Education							
National School Lunch Program	10.555	03072-SN-56-R	27,523	-	27,523	-	-
Total Child Nutrition Cluster:			57,591	-	57,591	-	-
Passed through the California Department of Education							
After School Snack Program - Program with no CFDA	10.03072-SN-56-R	03072-SN-56-R	5,795	-	5,795	-	-
Total U.S. Department of Agriculture			\$ 63,386	\$ -	\$ 63,386	\$ -	\$ -
TOTAL FEDERAL EXPENDITURES			\$ 6,699,025	\$ 9,610,671	\$ 6,699,025	\$ 9,610,671	\$ -

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, 2017
(FEIN 77-0195022)
(CONTINUED)

Federal Grantor, Pass Through Grantor, Program Title	Federal CFDA Number	Pass-Through Grantor Number	Government Revenue		Expenditures From Federal Government Revenue	Expenditures From Non-Federal and State Government Revenue	Payments to Subrecipients
			Federal	Nonfederal			
STATE FUNDING							
California Department of Education							
Passed Through Various School Districts							
Special Education		None Assigned	\$ -	\$ 3,592,317	\$ -	\$ 3,592,317	\$ -
Transportation		None Assigned	-	173,079	-	173,079	-
County of Ventura Human Services Agency:							
Wrap Around Program		None Assigned	-	1,093,485	-	1,093,485	-
Shelter Safety Watch, 23 Hour Bed and Program Support		341020160628-54/ 341020160630-71/ 341020160630-65	-	311,889	-	311,889	-
Intensive Family Services		341020160630-74	-	242,673	-	242,673	-
County of Santa Barbara Department of Social Services							
Wrap Around Program		BC 17-011	-	693,720	-	693,720	-
California State Department of Health and Human Services							
Child Health Disease Prevention/State MediCal/Family PACT		None Assigned	-	3,121	-	3,121	-
TOTAL STATE EXPENDITURES			\$ -	\$ 6,110,284	\$ -	\$ 6,110,284	\$ -
TOTAL FEDERAL AND STATE EXPENDITURES			\$ 6,699,025	\$ 15,720,955	\$ 6,699,025	\$ 15,720,955	\$ -

CASA PACIFICA CENTERS FOR CHILDREN AND FAMILIES
(A California Non-Profit Corporation)
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2017
(FEIN 77-0195022)

1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal and State 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, 2017. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. 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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), 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.

3. DE MINIMIS INDIRECT COST RATE

Casa Pacifica Centers for Children and Families did not elect to use the 10% de minimis indirect cost rate for the year ended June 30, 2017.

4. LOAN AND LOAN GUARANTEE

Casa Pacifica Centers for Children and Families did not have any balances of loan and loan guarantee programs outstanding at June 30, 2017 for loans described in 2 CFR section 200.50(b).

CASA PACIFICA CENTERS FOR CHILDREN AND FAMILIES
(A California Non-Profit Corporation)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified.

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

Unmodified.

Any audit findings disclosed that are required to be reported in accordance with 2CFR 200.516(a)?

_____ Yes X No

Identification of major programs:

CFDA Number(s)

93.658

Name of Federal Program or Cluster

Foster Care_Title IV-E

Dollar threshold used to distinguish between type A and type B programs:

\$ 750,000

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.

**CASA PACIFICA CENTERS FOR CHILDREN AND FAMILIES
(A California Non-Profit Corporation)
FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

CURRENT YEAR FINDINGS:

2017 Findings:

There were no 2017 findings noted.

2017 Questioned Costs:

There were no 2017 questioned costs noted.

PRIOR YEARS FINDINGS AND QUESTIONED COSTS:

2016 Findings:

There were no 2016 findings noted.

2016 Questioned Costs:

There were no 2016 questioned costs noted.

2015 Findings:

There were no 2015 findings noted.

2015 Questioned Costs:

There were no 2015 questioned costs noted.