

**CASA PACIFICA CENTERS FOR
CHILDREN AND FAMILIES**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

CASA PACIFICA CENTERS FOR CHILDREN AND FAMILIES

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

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**AUDIT
AND
ASSURANCE**

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Casa Pacifica Centers for Children and Families

Report on the Financial Statements

We have audited the accompanying financial statements of Casa Pacifica Centers for Children and Families (Casa Pacifica), which comprise the statement of financial position as of June 30, 2020, 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.

Auditor's 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 auditor's 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Casa Pacifica as of June 30, 2020, 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.

To the Board of Directors
Casa Pacifica Centers for Children and Families

Emphasis of Matter

As discussed in Note 18 to the financial statements, the recent COVID-19 pandemic in the United States and world-wide has resulted in reduced economic activity and market declines. As the extent and duration of the future impact to Casa Pacifica are uncertain, no adjustments were necessary to the financial statements, and our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited Casa Pacifica's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 19, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters - Supplementary 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 Awards as required by the 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), and the accompanying Department of Social Services Forms THP+FC-1A, THP+FC-1B, FCR 12FFA, SR3-CTF Residential and SR4-CTF Residential, are 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 supplementary 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 January 25, 2021 on our consideration of Casa Pacifica's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 the Casa Pacifica's internal control over financial reporting and compliance.

Green Hasson & Janks LLP

January 25, 2021
Los Angeles, California

CASA PACIFICA CENTERS FOR CHILDREN AND FAMILIES

STATEMENT OF FINANCIAL POSITION
June 30, 2020
With Summarized Totals at June 30, 2019

ASSETS	2020			2019 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Cash	\$ 4,562,957	\$ 111,873	\$ 4,674,830	\$ 326,111
Investments	1,085,351	66,388	1,151,739	1,130,198
Contracts Receivable (Net)	3,307,153	-	3,307,153	4,271,015
Prepaid Expenses and Other Assets	377,393	-	377,393	295,566
Beneficial Interest in Assets Held by Others	117,344	-	117,344	138,797
Beneficial Interest in Perpetual Trust	-	258,657	258,657	-
Property and Equipment (Net)	16,090,690	-	16,090,690	16,648,254
TOTAL ASSETS	\$ 25,540,888	\$ 436,918	\$ 25,977,806	\$ 22,809,941
LIABILITIES AND NET ASSETS				
LIABILITIES:				
Accounts Payable	\$ 655,606	\$ -	\$ 655,606	\$ 1,065,178
Accrued Payroll Liabilities	2,095,841	-	2,095,841	1,616,909
Other Accrued Liabilities	1,787,165	-	1,787,165	1,713,709
Line of Credit	802,362	-	802,362	-
Note Payable	750,000	-	750,000	750,000
Paycheck Protection Program Loan	4,029,816	-	4,029,816	-
TOTAL LIABILITIES	10,120,790	-	10,120,790	5,145,796
NET ASSETS:				
Without Donor Restrictions	15,420,098	-	15,420,098	17,416,344
With Donor Restrictions	-	436,918	436,918	247,801
TOTAL NET ASSETS	15,420,098	436,918	15,857,016	17,664,145
TOTAL LIABILITIES AND NET ASSETS	\$ 25,540,888	\$ 436,918	\$ 25,977,806	\$ 22,809,941

The Accompanying Notes are an Integral Part of These Financial Statements

CASA PACIFICA CENTERS FOR CHILDREN AND FAMILIES

STATEMENT OF ACTIVITIES

Year Ended June 30, 2020

With Summarized Totals for the Year Ended June 30, 2019

	2020			2019 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
PROGRAM SERVICE REVENUE:				
Government Grants and Contracts	\$ 20,740,028	\$ -	\$ 20,740,028	\$ 21,511,308
Non-Government Service Contracts	5,128,816	-	5,128,816	4,290,136
TOTAL PROGRAM SERVICE REVENUE	25,868,844	-	25,868,844	25,801,444
PUBLIC SUPPORT:				
Grants and Contributions	1,461,144	647,057	2,108,201	3,122,877
Special Events (Net of Costs of Direct Donor Benefits of \$209,420)	218,566	-	218,566	685,737
Contributed Goods and Services	343,590	-	343,590	247,455
TOTAL PUBLIC SUPPORT	2,023,300	647,057	2,670,357	4,056,069
TOTAL PROGRAM SERVICE REVENUE AND PUBLIC SUPPORT	27,892,144	647,057	28,539,201	29,857,513
OPERATING EXPENSES:				
Program Services	24,687,413	-	24,687,413	24,591,779
Management and General	4,810,654	-	4,810,654	4,062,463
Fundraising	860,060	-	860,060	760,659
TOTAL OPERATING EXPENSES	30,358,127	-	30,358,127	29,414,901
Net Assets Released from Donor Restrictions	419,392	(419,392)	-	-
CHANGE IN NET ASSETS FROM OPERATIONS	(2,046,591)	227,665	(1,818,926)	442,612
Investment Return (Net)	38,464	-	38,464	70,351
Change in Value of Beneficial Interest in Perpetual Trust	-	(38,548)	(38,548)	-
Other Income	11,881	-	11,881	8,345
CHANGE IN NET ASSETS	(1,996,246)	189,117	(1,807,129)	521,308
Net Assets - Beginning of Year	17,416,344	247,801	17,664,145	17,142,837
NET ASSETS - END OF YEAR	<u>\$ 15,420,098</u>	<u>\$ 436,918</u>	<u>\$ 15,857,016</u>	<u>\$ 17,664,145</u>

The Accompanying Notes are an Integral Part of These Financial Statements

CASA PACIFICA CENTERS FOR CHILDREN AND FAMILIES

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2020

With Summarized Totals for the Year Ended June 30, 2019

	2020						2019	
	Program Services			Supporting Services			Total Expenses	Total Expenses
	Campus Services	Community Services	School Services	Private Programs	Management and General	Fundraising		
Salaries and Wages	\$ 5,958,763	\$ 4,658,706	\$ 2,051,187	\$ 2,807,786	\$ 15,476,442	\$ 581,898	\$ 3,100,686	\$ 18,577,128
Payroll Taxes	426,913	337,492	150,633	196,138	1,111,176	43,038	209,937	1,321,113
Employee Benefits	929,662	815,681	321,826	395,729	2,462,898	49,444	500,644	2,963,542
TOTAL PERSONNEL COSTS	7,315,338	5,811,879	2,523,646	3,399,653	19,050,516	674,380	3,811,267	22,861,783
Advertising and Recruiting	19,280	10,382	5,150	114,512	149,324	21,508	89,333	238,657
Auto Expense	96,614	186,733	97,862	17,897	399,106	2,106	2,106	401,212
Child Related Costs	273,219	51,288	4,420	34,146	363,073	-	-	363,073
Computer and Technology	253,802	53,266	16,657	27,649	351,374	29,852	67,941	419,315
Conferences and Meetings	53,371	20,939	3,646	10,487	88,443	5,204	68,809	157,252
Contributed Goods and Services	174,234	56,783	28,081	34,918	294,016	1,874	2,431	296,447
Depreciation	282,168	2	95,229	120,060	497,459	16,324	268,075	765,534
Equipment Maintenance and Rental Costs	133,227	1,982	11,786	21,678	168,673	-	26,084	194,757
Facilities Rental	31,107	429,496	17,959	16,469	495,031	185,408	185,408	680,439
Food Costs	334,926	-	70,710	150,027	555,663	-	-	555,663
Insurance	103,464	98,688	36,502	83,330	321,984	4,757	47,997	369,981
Interest	-	-	-	-	-	70,604	70,604	70,604
Office Expenses	20,563	10,640	7,689	4,134	43,026	17,038	83,893	126,919
Other Operating Expenses	6,939	7,183	2,228	4,288	20,638	53,385	110,234	130,872
Outside Services	127,937	120,207	16,556	199,554	464,254	17,585	281,179	745,433
Professional Fees	28,819	3,414	39,171	86,364	157,768	175	268,881	426,649
Provision for Uncollectible Contracts Receivable	-	-	-	-	-	-	108,000	108,000
Repairs and Maintenance	376,718	15,330	7,249	19,009	418,306	730	42,328	460,634
Supplies	94,276	18,628	21,855	68,195	202,954	10,441	21,578	224,532
Taxes and Licenses	26,639	30,727	10,017	1,191	68,574	3,408	56,401	124,975
Telephone	147,996	83,417	6,278	12,154	249,845	3,093	43,312	293,157
Transportation and Travel	11,642	56,257	1,195	5,897	74,991	1,623	6,475	81,466
Utilities	218,169	34,226	-	-	252,395	8,378	8,378	260,773
TOTAL 2020 FUNCTIONAL EXPENSES	\$ 10,130,448	\$ 7,101,467	\$ 3,023,886	\$ 4,431,612	\$ 24,687,413	\$ 4,810,654	\$ 5,670,714	\$ 30,358,127
					81%	16%	3%	100%
TOTAL 2019 FUNCTIONAL EXPENSES	\$ 10,878,089	\$ 7,050,211	\$ 2,770,007	\$ 3,893,472	\$ 24,591,779	\$ 4,062,463	\$ 4,823,122	\$ 29,414,901
					83%	14%	3%	100%

TOTAL 2020 FUNCTIONAL EXPENSES

TOTAL 2019 FUNCTIONAL EXPENSES

The Accompanying Notes are an Integral Part of These Financial Statements

CASA PACIFICA CENTERS FOR CHILDREN AND FAMILIES

STATEMENT OF CASH FLOWS

Year Ended June 30, 2020

With Summarized Totals for the Year Ended June 30, 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ (1,807,129)	\$ 521,308
Adjustments to Reconcile Change in Net Assets to Net Cash Used in Operating Activities:		
Depreciation	765,534	460,357
Provision for Uncollectible Contracts Receivable	108,000	108,000
Net Unrealized and Realized Gains on Investments	(27,940)	(45,844)
Change in Value of Beneficial Interest in Assets Held by Others	(2,872)	(5,354)
Change in Value of Beneficial Interest in Perpetual Trust	38,548	-
Contributions of Beneficial Interest in Perpetual Trust	(307,205)	-
Contributions of Investment Securities	(9,704)	(102,724)
Proceeds from Sale of Contributed Securities	9,704	118,278
Contributions Restricted for Capital Campaign	-	(1,310,607)
Increase (Decrease) in:		
Contracts Receivable	855,862	(13,899)
Prepaid Expenses and Other Assets	(81,827)	167,334
Increase (Decrease) in:		
Accounts Payable	(409,572)	(1,576,500)
Accrued Payroll Liabilities	478,932	(100,186)
Other Accrued Liabilities	73,456	(179,218)
NET CASH USED IN OPERATING ACTIVITIES	(316,213)	(1,959,055)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of Investments	(15,304)	(8,110)
Proceeds from Sales of Investments	21,703	324,083
Distributions from Beneficial Interest in Assets Held by Others	24,325	-
Distributions from Beneficial Interest in Perpetual Trust	10,000	-
Purchases of Property and Equipment	<u>(207,970)</u>	<u>(2,819,899)</u>
NET CASH USED IN INVESTING ACTIVITIES	(167,246)	(2,503,926)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from (Repayments on) Line of Credit (Net)	802,362	(1,400,000)
Proceeds from Contributions Restricted for Capital Campaign	-	1,336,133
Proceeds from Paycheck Protection Program Loan	<u>4,029,816</u>	<u>-</u>
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	4,832,178	(63,867)
NET INCREASE (DECREASE) IN CASH	4,348,719	(4,526,848)
Cash - Beginning of Year	<u>326,111</u>	<u>4,852,959</u>
CASH - END OF YEAR	<u>\$ 4,674,830</u>	<u>\$ 326,111</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash Paid during the Year for Interest	<u>\$ 62,103</u>	<u>\$ 110,782</u>

The Accompanying Notes are an Integral Part of These Financial Statements

CASA PACIFICA CENTERS FOR CHILDREN AND FAMILIES

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 1 - ORGANIZATION

Casa Pacifica Centers for Children and Families (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.

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 18 years, Casa Pacifica's programs and services have continued to grow to respond to the increasing needs of the community including services to foster youth "aging out" of child welfare. Most recently, in response to changing public policy initiatives and local needs, Casa Pacifica converted half its shelter beds to brief residential treatment for youth from the private sector through contracts with commercial insurance companies such as Kaiser. In addition, in keeping with a "once in a generation" foster care reform effort effective January 2017, Casa Pacifica obtained a new license called Short-Term Residential Therapeutic Program (STRTP) to continue to provide more intensive residential services to foster care youth with complex trauma and significant behavioral and emotional challenges.

Regardless of the program - campus or community - or funding source - public or private - Casa Pacifica restores hope, enhances resilience, and strengthens community connections for children, young adults and families at the most challenging times of the lives and works with them to prevent unnecessary hospitalizations and out-of-home placements, and helps families overcome the barriers to 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 providing residential services, intensive mental health services, and a special education nonpublic school on campus, as well as a wide range of community-based services all directed at helping children and youth have the best chance at a successful life. In addition, Casa Pacifica provides highly regarded professional training to staff and local care providers and to professionals throughout California and the nation.

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); the mobile crisis team in Santa Barbara County is accredited by the American Association of Suicidology (AAS); and the pre-doctoral internship and post-doctoral fellowship programs are accredited by the American Psychological Association. Casa Pacifica's leadership is active in national, state, interagency and community organizations, collaboratives, task forces and work groups.

CASA PACIFICA CENTERS FOR CHILDREN AND FAMILIES

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 1 - ORGANIZATION (continued)

Casa Pacifica receives funding from county and state agencies with portions of its funding originating from the Federal government as well as from commercial insurance companies and private payers. Casa Pacifica's pastoral 25-acre campus - five miles from the Pacific Ocean - sits on land leased from Ventura County and upon which operating facilities have been constructed including new buildings funded through a successful and just completed \$16.6 million capital campaign. The lease extends until 2053. Casa Pacifica also receives significant charitable support from the private sector.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) BASIS OF PRESENTATION

The accompanying financial statements have been prepared on the accrual basis of accounting.

(b) NET ASSETS

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- **Net Assets Without Donor Restrictions.** Net assets available for use in general operations and not subject to donor-imposed restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a reserve fund and a board-designated endowment.
- **Net Assets With Donor Restrictions.** Net assets subject to the donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

(c) INVESTMENTS

Investments in marketable securities with readily redeemable fair values and all investments in debt securities are recorded at fair value. Securities are generally held in custodial investment accounts administered by financial institutions. Investment purchases and sales are accounted for on a trade-date basis. Interest income is recorded as earned on an accrual basis, and dividend income is recorded based upon the ex-dividend date. Realized gains and losses are calculated based upon the underlying cost of the securities traded. Unrealized gains and losses are included in the statement of activities and represent the difference between the cost and fair value of investments held at the end of the fiscal year.

CASA PACIFICA CENTERS FOR CHILDREN AND FAMILIES

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) INVESTMENTS (continued)

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Because of the level of risk associated with certain long-term investments, it is reasonably possible that changes in the values of these investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

(d) CONTRACTS RECEIVABLE AND RELATED REVENUES

Contracts receivable are recorded when billed or accrued and represent claims against third parties that will be settled in cash. The carrying value of receivables, net of the allowance for doubtful accounts, represents their estimated net realizable value. The allowance for doubtful accounts is estimated based on historical collection trends, type of customer, the age of outstanding receivables and existing economic conditions. If events or changes in circumstances indicate that specific receivable balances may be impaired, further consideration is given to the collectability of those balances and the allowance is adjusted accordingly. Past due receivable balances are written off when internal collection efforts have been unsuccessful in collecting the amount due. At June 30, 2020, Casa Pacifica has established an allowance for doubtful accounts in the amount of \$100,369, based on an evaluation of collectability.

A portion of Casa Pacifica's revenue is derived from fee-for-service and cost reimbursement grants and contracts, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Such grants are generally considered nonreciprocal transactions restricted by the awarding agencies for certain purposes. Amounts received are recognized as revenue when Casa Pacifica has satisfied the specific performance requirements or incurred expenditures in compliance with specific contract or grant provisions. Casa Pacifica has elected to adopt a policy whereby donor-restricted grants and contributions that were initially conditional and whose conditions and restrictions are met in the same reporting period are recognized as revenue without donor restrictions. Amounts received prior to incurring qualifying expenditures or fulfilling the specific performance obligations are reported as refundable advances in the statement of financial position.

CASA PACIFICA CENTERS FOR CHILDREN AND FAMILIES

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) CONTRACTS RECEIVABLE AND RELATED REVENUES (continued)

A significant portion of Casa Pacifica's income is derived from programs passed through from several California County Departments of Mental Health (DMH) and involves local, state and federal government funds. Contract service payments are generally provided monthly, but are subject to approval, audit and retroactive adjustment by the various funding agencies. Final settlements with the various funding agencies are taking from six to eight years, with initial findings in many cases not available for one to two years after funding. As a result, at June 30, 2020, Casa Pacifica has established a reserve in the amount of \$694,050 for possible uncollected or disallowed DMH revenues for all fiscal years for which final settlements have not been reached.

(e) CONTRIBUTIONS AND PLEDGES RECEIVABLE

Casa Pacifica recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest are received. Casa Pacifica reports unconditional contributions as restricted support if they are received with donor stipulations that limit the use of the donated assets. Pledges receivable are discounted to their present value when payments are expected in future periods exceeding one year. These discounts are recorded as reductions to contribution revenue and pledges receivable, and are adjusted annually.

Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. Intentions to give are not included as support until payments are made or enforceable promises to give are executed.

(f) CONCENTRATIONS

Casa Pacifica places its temporary cash investments with high-credit, quality financial institutions. At times, these may exceed federally insured limits. Casa Pacifica has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on these accounts.

The contracts receivable balance outstanding at June 30, 2020, consists primarily of government contract receivables due from the county, state, and federal granting agencies as well as from third-party insurance payers and are generally unsecured. Management evaluates the collectability of these balances and establishes an allowance for uncollectible amounts based on this evaluation.

CASA PACIFICA CENTERS FOR CHILDREN AND FAMILIES

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) CONCENTRATIONS (continued)

Approximately 73% of Casa Pacifica's program service revenue and public support is provided by various government agencies. Casa Pacifica anticipates that it will continue to run these programs although there can be no assurance that Casa Pacifica will be able to obtain future grant agreements upon the expiration of the current term of the contracts.

(g) BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

Casa Pacifica has the unconditional right to receive all of the cash flows from its beneficial interest in certain assets held by the Ventura County Community Foundation. Casa Pacifica records its beneficial interest at fair value using the fair value of the underlying funds. The change in the value of the beneficial interest is included in investment return in the statement of activities.

(h) BENEFICIAL INTEREST IN PERPETUAL TRUST

Casa Pacifica is a beneficiary of a perpetual trust, which is administered by a third party other than Casa Pacifica. Under the terms of the trust, Casa Pacifica has the irrevocable right to receive 50% of the income earned on the trust assets for the life of the trust. Casa Pacifica does not control the assets held by the outside trust. Annual distributions from the trust are reported as investment income. Adjustments to the beneficial interest to reflect changes in the fair value are reflected in the statement of activities as a change in value of beneficial interest in perpetual trust.

(i) PROPERTY AND EQUIPMENT

Property and equipment are reported at cost, if purchased, or at fair value at the date of donation, if donated. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets. Maintenance and repair costs are charged to expense as incurred. Property and equipment are capitalized if the cost of an asset is greater than or equal to \$5,000 and the useful life is greater than one year. The estimated useful lives are as follows:

Buildings and Improvements	40 Years
Equipment and Furnishings	3-7 Years
Leasehold improvements	20 Years, or remaining lease term, if shorter
Vehicles	5 Years

CASA PACIFICA CENTERS FOR CHILDREN AND FAMILIES

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) LONG-LIVED ASSETS

Casa Pacifica reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the book value of the assets may not be recoverable. An impairment loss is recognized when the sum of the undiscounted future cash flows is less than the carrying amount of the asset, in which case a write-down is recorded to reduce the related asset to its estimated fair value. No impairment losses were recognized on long-lived assets during the year ended June 30, 2020.

(k) PAYCHECK PROTECTION PROGRAM (PPP) LOAN

Management has elected to account for the forgivable loan received under the Paycheck Protection Program (PPP) provisions of the Coronavirus Aid, Relief, and Economic Security (CARES) Act as a debt instrument and to accrue interest on the outstanding loan balance. Additional interest at a market rate (due to the stated interest rate of the PPP loan being below market) is not imputed, as transactions where interest rates are prescribed by governmental agencies are excluded from the scope of the accounting guidance on imputing interest. The proceeds from the loan will remain recorded as a liability until either (1) the loan is, in part or wholly, forgiven or Casa Pacifica has been legally released or (2) Casa Pacifica repays the loan to the lender.

(l) INCOME TAXES

Casa Pacifica is exempt from taxation under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d.

In accordance with the Financial Accounting Standards Board (FASB) ASC Topic No. 740, *Uncertainty in Income Taxes*, Casa Pacifica recognizes the impact of tax positions in the financial statements if that position is more likely than not to be sustained on audit, based on the technical merits of the position. During the year ended June 30, 2020, Casa Pacifica performed an evaluation of uncertain tax positions and did not note any matters that would require recognition in the financial statements or which might have an effect on its tax-exempt status.

(m) CONTRIBUTED GOODS AND SERVICES

Contributions of donated non-cash assets are recorded at fair value in the period received. Contributions of donated services are recognized if the services received (a) create or enhance long-lived assets, or (b) require specialized skills, were provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. In-kind contributions of \$343,590 were received during the year ended June 30, 2020, which satisfied the criteria for recognition. Additionally, Casa Pacifica received \$72,162 of contributed goods and services for its fundraising special events, and this amount is included in the special events revenue and expense in the statement of activities (see Note 17).

CASA PACIFICA CENTERS FOR CHILDREN AND FAMILIES

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) CONTRIBUTED GOODS AND SERVICES (continued)

A substantial number of volunteers have donated significant amounts of their time to Casa Pacifica. Some of the services that these individuals rendered, however, do not meet the above criteria and, as such, are not recognized as revenue.

(n) FUNCTIONAL ALLOCATION OF EXPENSES

The cost of providing Casa Pacifica's programs and other activities is summarized on a functional basis in the 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. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit, including but not limited to proportionate salary dollars, program census and square footage.

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.

(o) 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.

(p) 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, 2019, from which the summarized information was derived.

CASA PACIFICA CENTERS FOR CHILDREN AND FAMILIES

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) NEW ACCOUNTING PRONOUNCEMENTS

In June 2018, FASB issued Accounting Standards Update (ASU) No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which is intended to clarify the accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance. Casa Pacifica implemented the ASU during the year ended June 30, 2020. There was no significant impact to Casa Pacifica's financial statements as a result of the implementation of the ASU.

In May 2014, FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, which improves and converges the revenue recognition requirements of accounting principles generally accepted in the United States of America and International Financial Reporting Standards. The ASU replaces the existing accounting standards for revenue recognition with a single comprehensive five-step model, which is intended to provide principles within a single framework for revenue recognition of transactions involving contracts with customers across all industries. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance also requires more detailed disclosures to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The guidance has subsequently been amended through a series of ASUs between August 2015 and September 2017 to improve the operability and understandability of the implementation guidance on scope exceptions, and various other narrow aspects, as identified and addressed in such updates. For Casa Pacifica, the ASU and subsequent amendments will be effective for the year ending June 30, 2021.

In February 2016, FASB issued ASU No. 2016-02, *Leases*, which is intended to improve financial reporting about leasing transactions. The new standard will require organizations that lease assets with terms of more than 12 months to recognize on the statement of financial position the assets and liabilities for the rights and obligations created by those leases. The ASU also will require disclosures to help financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative requirements and provide additional information about the amounts recorded in the financial statements. For Casa Pacifica, the ASU will be effective for the year ending June 30, 2023.

CASA PACIFICA CENTERS FOR CHILDREN AND FAMILIES

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) NEW ACCOUNTING PRONOUNCEMENTS (continued)

In September 2020, FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU is intended to improve transparency in the reporting of contributed nonfinancial assets (also known as gifts-in-kind) received by not-for-profit organizations, including transparency on how those assets are used and how they are valued. For Casa Pacifica, the ASU will be effective for the year ending June 30, 2022.

(r) SUBSEQUENT EVENTS

Casa Pacifica has evaluated events and transactions occurring subsequent to the statement of financial position date of June 30, 2020, for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through January 25, 2021, the date these financial statements were available to be issued. No such material events or transactions were noted to have occurred.

NOTE 3 - INVESTMENTS

Investments at June 30, 2020 consist of the following:

Cash Equivalents	\$ 50,274
Mutual Funds and Exchange-Traded Funds	<u>1,101,465</u>
TOTAL INVESTMENTS	<u>\$ 1,151,739</u>

NOTE 4 - FAIR VALUE MEASUREMENTS

Casa Pacifica has implemented the fair value accounting standard for those assets (and liabilities) that are re-measured and reported at fair value at each reporting period. This standard establishes a single authoritative definition of fair value, sets out a framework for measuring fair value based on inputs used, and requires additional disclosures about fair value measurements. The standard applies to fair value measurements already required or permitted by existing standards.

In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets (or liabilities). Fair values determined by Level 2 inputs utilize data points that are observable such as quoted prices, interest rates, and yield curves. Fair values determined by Level 3 inputs are unobservable data points for the asset (or liability) and include situations where there is little, if any, market activity for the asset (or liability).

CASA PACIFICA CENTERS FOR CHILDREN AND FAMILIES

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 4 - FAIR VALUE MEASUREMENTS (continued)

The following table presents information about Casa Pacifica's assets that are measured at fair value on a recurring basis at June 30, 2020, and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value:

	Year Ended June 30, 2020	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash Equivalents	\$ 50,274	\$ 50,274	\$ -	\$ -
Mutual Funds and Exchange Traded Funds:				
Equity	751,159	751,159	-	-
Fixed Income	350,306	350,306	-	-
Beneficial Interest in Assets Held by Others	117,344	-	-	117,344
Beneficial Interest in Perpetual Trust	258,657	-	-	258,657
TOTAL	\$ 1,527,740	\$ 1,151,739	\$ -	\$ 376,001

The fair values of investments within Level 1 inputs were obtained based on quoted market prices at the closing of the last business day of the fiscal year. The fair value of the beneficial interest in assets held by others and in perpetual trust presented within Level 3 is based on the fair value of the underlying assets held by the third-party trustees.

Changes in Level 3 measurements for the year ended June 30, 2020 are as follows:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)		
	Beneficial Interest in Assets Held by Others	Beneficial Interest in Perpetual Trust	Total
Beginning Balance	\$ 138,797	\$ -	\$ 138,797
Contributions	-	307,205	307,205
Distributions	(24,325)	(10,000)	(34,325)
Change in Value of Beneficial Interest	2,872	(38,548)	(35,676)
ENDING BALANCE	\$ 117,344	\$ 258,657	\$ 376,001

CASA PACIFICA CENTERS FOR CHILDREN AND FAMILIES

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 5 - BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

Casa Pacifica entered into an agreement with Ventura County Community Foundation, whereby Casa Pacifica established a board-designated endowment fund to be held by the Foundation. The funds held can be used for various purposes as determined by the Board and the annual distributions are limited to 5% of the average balance of funds held over the prior twelve quarters calculated on an annual basis.

NOTE 6 - BENEFICIAL INTEREST IN PERPETUAL TRUST

Casa Pacifica is the 50% beneficiary of a perpetual trust whose assets are held by a third party trustee. Casa Pacifica has legally enforceable rights or claims to 50% of the annual income. The carrying value of Casa Pacifica's share of this perpetual trust at June 30, 2020 was \$258,657.

NOTE 7 - PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2020, consist of the following:

Buildings and Improvements	\$ 23,911,692
Equipment and Furnishings	3,605,194
Leasehold Improvements	200,667
Vehicles	<u>352,563</u>
TOTAL	28,070,116
Less: Accumulated Depreciation	<u>(11,979,426)</u>
PROPERTY AND EQUIPMENT (NET)	<u>\$ 16,090,690</u>

Total depreciation expense for the year ended June 30, 2020, was \$765,534.

NOTE 8 - OTHER ACCRUED LIABILITIES

Other accrued liabilities consisted of the following at June 30, 2020:

DMH Settlement Reserves	\$ 694,050
Deferred Compensation Plan Liability [See Note 12(b)]	603,558
Deferred Rent Liability	71,688
Legal Fees and Self-Insured Retention	107,933
Deferred Event Revenue	291,135
Contract and Other Advances	<u>18,801</u>
TOTAL ACCRUED LIABILITIES	<u>\$ 1,787,165</u>

CASA PACIFICA CENTERS FOR CHILDREN AND FAMILIES

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 9 - LINE OF CREDIT

Casa Pacifica has a renewable revolving line of credit agreement with a financial institution in the amount of \$2,200,000 with a maturity date of August 5, 2021. The line of credit bears a variable interest rate at the U.S. prime rate less 0.5%, and the U.S. prime rate was 3.25% at June 30, 2020. There was a \$802,362 balance outstanding on the line of credit at June 30, 2020. The line is secured by the funds held by Casa Pacifica in its deposit and savings accounts at the financial institution. The line of credit agreement contains certain covenants, with which Casa Pacifica was in compliance at June 30, 2020.

NOTE 10 - NOTE PAYABLE

Casa Pacifica has an unsecured \$750,000 note payable to the Conrad N. Hilton Foundation. The note bears a fixed 2.0% interest rate and matures in November 2021. The note calls for monthly interest-only payments with the principal and any remaining interest due in November 2021. At June 30, 2020, the balance on the note payable was \$750,000.

NOTE 11 - PAYCHECK PROTECTION PROGRAM LOAN

On April 13, 2020, Casa Pacifica received a PPP loan in the amount of \$4,029,816. The PPP loan, administered by the Small Business Administration (SBA), bears interest at a fixed rate of 1.0% per annum, has a term of two years, and is unsecured and guaranteed by the SBA. Interest accrues on the loan beginning with the initial disbursement; however, payments of principal and interest are deferred until the lender's determination of the amount of forgiveness applied for by the borrower is approved by the SBA. If Casa Pacifica does not apply for forgiveness within 10 months after the last day of the covered period (defined, at Casa Pacifica's election, as either 8 weeks or 24 weeks), such payments will be due that month.

Casa Pacifica intends to apply for forgiveness of the PPP loan with respect to the eligible expenses incurred during the covered period. To the extent that all or part of the PPP loan is not forgiven, Casa Pacifica will be required to pay interest on the PPP loan at a rate of 1.0% per annum. The terms of the PPP loan provide for customary events of default including, among other things, payment defaults, breach of representations and warranties, and insolvency events.

At June 30, 2020 the total outstanding balance of the PPP loan was \$4,029,816.

CASA PACIFICA CENTERS FOR CHILDREN AND FAMILIES

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 12 - EMPLOYEE BENEFIT PLANS

(a) DEFINED CONTRIBUTION PLAN

Casa Pacifica has a defined contribution plan covering all eligible employees who have completed three months of service and are age twenty-one or older. Casa Pacifica makes matching contributions equal to 100% up to 5% of the employee's deferred compensation. Casa Pacifica made contributions to the retirement plan of \$418,810 during the year ended June 30, 2020.

(b) DEFERRED COMPENSATION PLAN

Casa Pacifica's Board of Directors entered into an agreement to sponsor an Internal Revenue Code Section 457(b) deferred compensation plan that covers a select group of management employees. The deferred compensation plan liability included in other accrued liabilities on the statement of financial position totaled \$603,558 at June 30, 2020, with the related assets included in investments.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

(a) LEGAL PROCEEDINGS

In the ordinary course of conducting its business, Casa Pacifica becomes involved in various lawsuits. Some of these proceedings may result in judgments being assessed against Casa Pacifica which, from time to time, may have an impact on changes in net assets. Casa Pacifica believes that these proceedings, individually or in the aggregate, would not have a material effect on the accompanying financial statements.

(b) 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. However, due to the complexity and timing of the DMH contract settlement process, Casa Pacifica has set aside a reserve of \$694,050 for its DMH contracts [see Note 2(d) and Note 8]. The reserve is related to DMH contract years which have not yet been settled by the State of California and its counties. Upon settlement by the State of California and the counties, Casa Pacifica records known prior-year settlements (disallowances, additional funding, contract adjustments, and related year reserves write-offs) as contract settlement adjustments.

CASA PACIFICA CENTERS FOR CHILDREN AND FAMILIES

NOTES TO FINANCIAL STATEMENTS June 30, 2020

NOTE 13 - COMMITMENTS AND CONTINGENCIES (continued)

(c) 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:

Years Ending June 30

2021	\$ 721,687
2022	475,334
2023	470,070
2024	437,433
2025	389,336
Thereafter	<u>416,973</u>
TOTAL	<u>\$ 2,910,833</u>

Rent for facilities, equipment, and vehicles rental expense under operating leases for the year ended June 30, 2020, were \$680,439, \$196,201, and \$68,038, respectively.

NOTE 14 - NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions consist of undesignated and Board designated amounts as follows at June 30, 2020:

Undesignated	\$ 14,820,961
Board Designated:	
Reserve Fund	481,793
Endowment Fund	<u>117,344</u>
TOTAL NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>\$ 15,420,098</u>

The Board designated endowment fund of \$117,344 is held with the Ventura County Community Foundation (refer to Note 2(g) and Note 5). The Board has also established a reserve fund to be used for capital and other projects.

CASA PACIFICA CENTERS FOR CHILDREN AND FAMILIES

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 15 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at June 30, 2020:

Subject to Expenditure for Specified Purpose and/or Subject to Appropriation or Spending Policy:		
Educational Assistance (including Endowments)	\$	91,875
Other Programs		<u>86,386</u>
TOTAL SUBJECT TO EXPENDITURE FOR SPECIFIED PURPOSE		178,261
Not Subject to Appropriation or Spending Policy:		
Beneficial Interest in Perpetual Trust		<u>258,657</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	\$	<u>436,918</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by the occurrence of passage of time or other events specified by the donors as follows for the year ended June 30, 2020:

Satisfaction of Purpose Restrictions:		
Educational Assistance	\$	4,500
Other Activities		<u>414,892</u>
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	\$	<u>419,392</u>

NOTE 16 - ENDOWMENTS

Casa Pacifica's endowments consist of donor-restricted and board-designated funds established for a variety of purposes. Endowment funds established by donor-restricted gifts either provide a permanent endowment, which is to provide a permanent source of income to Casa Pacifica, or a term endowment, which is to provide income for a specified period to Casa Pacifica.

Casa Pacifica's management understands California State law as (1) requiring the preservation of the fair value of the original gifts as of the gift date of the donor-restricted endowment funds, absent donor stipulations to the contrary and (2) allowing the spending of income and gains on donor-restricted endowments required to be held in perpetuity, absent explicit donor stipulations that all or a portion of such gains be maintained in perpetuity.

CASA PACIFICA CENTERS FOR CHILDREN AND FAMILIES

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 16 - ENDOWMENTS (continued)

The primary long-term financial objective for Casa Pacifica's endowments is to preserve the real (inflation-adjusted) purchasing power of endowment assets and income after accounting for endowment spending, inflation and costs of portfolio management. Casa Pacifica's investment policy provides for funds to be allocated in a manner that offers the potential for an attractive rate of return, while minimizing volatility. Casa Pacifica's Board of Directors has approved a spending policy whereby funds available for distributions are determined based on 5% of the endowment funds' total market value on June 30 of the previous fiscal year. This policy allows for greater predictability of spendable income for budgeting purposes and for gradual steady growth for the support of operations by the endowments. In addition, this policy minimizes the probability of invading the principal over the long term.

At June 30, 2020, Casa Pacifica's endowment net assets composition by type of fund was as follows:

Endowment Net Asset Composition by Type of Fund at June 30, 2020	Board Designated	With Donor Restrictions	Total
Board Designated	\$ 117,344	\$ -	\$ 117,344
Donor Restricted	-	66,388	66,388
ENDOWMENT NET ASSETS - JUNE 30, 2020	\$ 117,344	\$ 66,388	\$ 183,732

Changes in endowment net assets were as follows for the year ended June 30, 2020:

	Board Designated	With Donor Restrictions	Total
Endowment Net Assets - Beginning of Year	\$ 138,797	\$ 66,583	\$ 205,380
Distributions	(24,325)	-	(24,325)
Investment Return (Net)	2,872	(195)	2,677
ENDOWMENT NET ASSETS - JUNE 30, 2020	\$ 117,344	\$ 66,388	\$ 183,732