

**CASA DE ESPERANZA  
DE LOS NIÑOS, INC.**

**CASA DE ESPERANZA  
DE LOS NIÑOS FOUNDATION**

**Combined Financial Statements**

**For the Years Ended  
December 31, 2019 and 2018**

*(With Independent Auditor's Report Thereon)*



**FRIERSON SOLÁ  
SIMONTON KUTAC**

**CASA DE ESPERANZA DE LOS NIÑOS, INC.  
CASA DE ESPERANZA DE LOS NIÑOS FOUNDATION**

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## **INDEPENDENT AUDITOR'S REPORT**

Governing Board of Casa de Esperanza de los Niños, Inc.  
Board of Trustees of Casa de Esperanza de los Niños Foundation

We have audited the accompanying combined financial statements of Casa de Esperanza de los Niños, Inc. and Casa de Esperanza de los Niños Foundation (nonprofit organizations), which comprise the combined statements of financial position as of December 31, 2019, and the related combined statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the combined financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the financial position of Casa de Esperanza de los Niños, Inc. and Casa de Esperanza de los Niños Foundation as of December 31, 2019, and the changes in their net assets and their 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 have previously audited the Casa de Esperanza de los Niños, Inc. and Casa de Esperanza de los Niños Foundation's 2018 combined financial statements, and our report dated March 11, 2019, expressed an unmodified opinion on those audited combined financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited combined financial statements from which it has been derived.



Houston, Texas  
March 17, 2020

**CASA DE ESPERANZA DE LOS NIÑOS, INC.**  
**CASA DE ESPERANZA DE LOS NIÑOS FOUNDATION**  
**Combined Statements of Financial Position**  
**December 31, 2019**  
(with summarized financial information as of December 31, 2018)

	<u>Casa Inc.</u>	<u>Casa Foundation</u>	<u>Combined Funds</u>	
	<u>2019</u>		<u>2019</u>	<u>2018</u>
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 1,936,451	\$ 10,674	\$ 1,947,125	\$ 1,876,620
Contributions receivable	354,757	-	354,757	982,928
Prepaid expenses	44,515	-	44,515	97,146
Investments	-	10,798,798	10,798,798	10,541,259
<b>Total Current Assets</b>	<u>2,335,723</u>	<u>10,809,472</u>	<u>13,145,195</u>	<u>13,497,953</u>
<b>Non-Current Assets</b>				
Investment in limited partnership	200,893	-	200,893	197,674
Property and equipment, net	2,947,238	-	2,947,238	3,042,054
Investments, unrestricted	-	2,217,238	2,217,238	-
Investments, endowment fund	-	700,000	700,000	700,000
<b>Total Non-Current Assets</b>	<u>3,148,131</u>	<u>2,917,238</u>	<u>6,065,369</u>	<u>3,939,728</u>
<b>Total Assets</b>	<u>\$ 5,483,854</u>	<u>\$ 13,726,710</u>	<u>\$ 19,210,564</u>	<u>\$ 17,437,681</u>
<b>LIABILITIES AND NET ASSETS</b>				
<b>Current Liabilities</b>				
Accounts payable	\$ 33,482	\$ -	\$ 33,482	\$ 49,502
Accrued expenses	127,756	-	127,756	139,555
<b>Total Current Liabilities</b>	<u>161,238</u>	<u>-</u>	<u>161,238</u>	<u>189,057</u>
<b>Net Assets</b>				
Without donor restrictions	5,269,625	13,026,710	18,296,335	16,515,459
With donor restrictions	52,991	700,000	752,991	733,165
<b>Total Net Assets</b>	<u>5,322,616</u>	<u>13,726,710</u>	<u>19,049,326</u>	<u>17,248,624</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 5,483,854</u>	<u>\$ 13,726,710</u>	<u>\$ 19,210,564</u>	<u>\$ 17,437,681</u>

The accompanying notes are an integral part of the combined financial statements.

**CASA DE ESPERANZA DE LOS NIÑOS, INC.**  
**CASA DE ESPERANZA DE LOS NIÑOS FOUNDATION**  
**Combined Statements of Activities for the Year Ended December 31, 2019**  
**(with summarized financial information for the year ended December 31, 2018)**

	<b>CASA DE ESPERANZA DE LOS NIÑOS, INC.</b>				<b>CASA DE ESPERANZA DE LOS NIÑOS FOUNDATION</b>			
	<b>2019</b>		<b>2019</b>		<b>2019</b>		<b>2018</b>	
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total Funds</b>	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total Funds</b>	<b>Combined Funds</b>	<b>Combined Funds</b>
<b>REVENUE</b>								
<b>Contributions</b>								
Foundations and grants	\$ 302,355	\$ 605,200	\$ 907,555	\$ -	\$ -	\$ -	\$ 907,555	\$ 1,320,541
Individuals and estates	964,574	36,000	1,000,574	75	-	75	1,000,649	1,391,798
Institutions and corporations	284,609	249,469	534,078	-	-	-	534,078	495,778
Churches and religious organizations	33,109	85,000	118,109	-	-	-	118,109	71,804
Contributions	1,584,647	975,669	2,560,316	75	-	75	2,560,391	3,279,921
<b>Special Events</b>								
Special event revenue	931,995	-	931,995	-	-	-	931,995	878,303
Direct donor benefit costs	(120,337)	-	(120,337)	-	-	-	(120,337)	(135,952)
Special events	811,658	-	811,658	-	-	-	811,658	742,351
<b>Investments and other income</b>								
Investment returns, net	9,813	-	9,813	2,247,814	-	2,247,814	2,257,627	(790,251)
Gain on asset disposition	3,551	-	3,551	-	-	-	3,551	-
<b>Funding from Casa Foundation</b>								
Satisfaction of Program Restrictions	250,000	-	250,000	(250,000)	-	(250,000)	-	-
Satisfaction of Program Restrictions	955,843	(955,843)	-	-	-	-	-	-
<b>TOTAL REVENUE</b>	3,615,512	19,826	3,635,338	1,997,889	-	1,997,889	5,633,227	3,232,021
<b>EXPENSE</b>								
Program								
- Residential and Foster Care	2,670,527	-	2,670,527	-	-	-	2,670,527	2,630,751
- Family Support Services	407,741	-	407,741	-	-	-	407,741	359,845
Program services	3,078,268	-	3,078,268	-	-	-	3,078,268	2,990,596
Management & General Fundraising	302,885	-	302,885	16,673	-	16,673	319,558	301,169
Fundraising	434,699	-	434,699	-	-	-	434,699	449,585
<b>TOTAL EXPENSE</b>	3,815,852	-	3,815,852	16,673	-	16,673	3,832,525	3,741,350
<b>TOTAL CHANGE IN NET ASSETS</b>	(200,340)	19,826	(180,514)	1,981,216	-	1,981,216	1,800,702	(509,329)
<b>NET ASSETS - BEGINNING OF YEAR</b>	5,469,965	33,165	5,503,130	11,045,494	700,000	11,745,494	17,248,624	17,757,953
<b>NET ASSETS - END OF YEAR</b>	\$ 5,269,625	\$ 52,991	\$ 5,322,616	\$ 13,026,710	\$ 700,000	\$ 13,726,710	\$ 19,049,326	\$ 17,248,624

The accompanying notes are an integral part of the combined financial statements.

**CASA DE ESPERANZA DE LOS NIÑOS, INC.**  
**Statements of Functional Expenses**  
**for the Year Ended December 31, 2019**  
(with summarized financial information for the year ended December 31, 2018)

	<b>Residential and Foster Care</b>		<b>Family Support Services</b>			<b>Shared Program Expenses</b>						
	<b>Residential</b>							<b>Total</b>	<b>Management</b>		<b>2019</b>	<b>2018</b>
	<b>In-House</b>	<b>Community</b>	<b>After-Care</b>	<b>Adoption</b>	<b>Post</b>	<b>Child</b>	<b>Casework</b>	<b>Program</b>	<b>and</b>	<b>Fundraising</b>	<b>Total</b>	<b>Total</b>
	<b>Foster Care</b>	<b>Foster Care</b>	<b>and Outreach</b>	<b>Services</b>	<b>Adoption</b>	<b>Development</b>	<b>Services</b>	<b>Services</b>	<b>General</b>			
Payroll, taxes and benefits	\$ 1,167,714	\$ 87,224	\$ 76,312	\$ 15,354	\$ 39,691	\$ 138,419	\$ 528,659	\$ 2,053,373	\$ 245,117	\$ 367,800	\$ 2,666,290	\$ 2,623,019
Food and household	60,177	2,597	893	-	-	2,114	9,690	75,471	590	3,019	79,080	70,524
Medical	10,954	482	-	-	-	-	-	11,436	-	-	11,436	10,605
Transportation	16,614	-	3,004	-	-	-	7,927	27,545	-	357	27,902	39,917
Utilities and telephone	78,599	4,259	1,365	-	908	908	13,525	99,564	996	2,805	103,365	98,369
Repairs and maintenance	131,774	7,096	1,734	-	484	1,734	32,713	175,535	1,311	21,571	198,417	180,272
Insurance	130,984	6,792	5,088	-	564	11,760	33,589	188,777	27,473	1,693	217,943	200,192
Office expenses	31,589	248	2,706	-	122	3,048	30,196	67,909	3,530	5,466	76,905	64,582
Newsletters, brochures and annual report	-	-	-	-	-	-	-	-	-	24,768	24,768	31,336
Education and daycare	-	9,830	-	-	4,600	-	-	14,430	-	-	14,430	38,777
Training and professional development	3,364	3,432	145	-	-	-	2,489	9,430	80	4,326	13,836	13,408
Professional fees	-	-	6,125	77,258	2,165	10,800	233	96,581	29,699	-	126,280	80,149
Records and testing fees	3,567	100	-	-	-	-	7,209	10,876	-	-	10,876	17,729
Outreach assistance and support	22,840	2,262	29,065	-	17,884	-	187	72,238	-	-	72,238	71,847
Depreciation	136,552	2,020	1,222	-	-	1,222	34,087	175,103	6,089	2,894	184,086	195,781
Administrative fees, charged to Foundation	-	-	-	-	-	-	-	-	(12,000)	-	(12,000)	(12,000)
<b>Operating Expenses before program allocation</b>	<b>1,794,728</b>	<b>126,342</b>	<b>127,659</b>	<b>92,612</b>	<b>66,418</b>	<b>170,005</b>	<b>700,504</b>	<b>3,078,268</b>	<b>302,885</b>	<b>434,699</b>	<b>3,815,852</b>	<b>3,724,507</b>
Program allocations	510,067	239,390	-	87,051	34,001	(170,005)	(700,504)	-	-	-	-	-
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 2,304,795</b>	<b>\$ 365,732</b>	<b>\$ 127,659</b>	<b>\$ 179,663</b>	<b>\$ 100,419</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,078,268</b>	<b>\$ 302,885</b>	<b>\$ 434,699</b>	<b>\$ 3,815,852</b>	<b>\$ 3,724,507</b>

The accompanying notes are an integral part of the combined financial statements.

**CASA DE ESPERANZA DE LOS NIÑOS, INC.**  
**CASA DE ESPERANZA DE LOS NIÑOS FOUNDATION**  
**Combined Statements of Cash Flows for the Year Ended December 31, 2019**  
**(with summarized financial information for the year ended December 31, 2018)**

	<u>Casa Inc.</u>	<u>Casa Foundation</u>	<u>Combined Funds</u>	
	<u>2019</u>		<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Change in net assets	\$ (180,514)	\$ 1,981,216	\$ 1,800,702	\$ (509,329)
Adjustments to reconcile change in net assets				
to net cash from operating activities:				
Net realized and unrealized (gain) losses on investments	-	(2,012,580)	(2,012,580)	1,066,359
Limited partnership income	(3,219)	-	(3,219)	(8,500)
Depreciation	184,086	-	184,086	195,781
Gain on asset disposition	(3,551)	-	(3,551)	-
Capital donations, in-kind	(36,195)	-	(36,195)	(59,189)
Changes in operating assets and liabilities:				
Contributions receivable	128,171	500,000	628,171	(576,964)
Prepaid expenses	52,631	-	52,631	(44,410)
Accounts payable	(16,020)	-	(16,020)	6,526
Accrued expenses	(11,799)	-	(11,799)	(28,768)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>113,590</u>	<u>468,636</u>	<u>582,226</u>	<u>41,506</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Decrease in repurchase agreements	-	-	-	389,265
Investment purchases	-	(8,212,961)	(8,212,961)	(6,089,712)
Proceeds from sale of investments	-	7,750,764	7,750,764	6,075,237
Proceeds from sale of fixed assets	5,550	-	5,550	-
Purchases of property and equipment	(55,074)	-	(55,074)	(27,603)
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u>(49,524)</u>	<u>(462,197)</u>	<u>(511,721)</u>	<u>347,187</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	64,066	6,439	70,505	388,693
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>1,872,385</u>	<u>4,235</u>	<u>1,876,620</u>	<u>1,487,927</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 1,936,451</u>	<u>\$ 10,674</u>	<u>\$ 1,947,125</u>	<u>\$ 1,876,620</u>

The accompanying notes are an integral part of the combined financial statements.



**CASA DE ESPERANZA DE LOS NIÑOS, INC.  
CASA DE ESPERANZA DE LOS NIÑOS FOUNDATION  
Notes to the Combined Financial Statements  
December 31, 2019**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Casa de Esperanza de los Niños, Inc. (Casa) is a nonprofit child placement agency that strives to break the cycle of child abuse and neglect for at-risk infants, children and their families by providing comprehensive residential and family support programs that transform people and communities. At Casa we believe that every child deserves a home that provides safety, health, permanence and hope. Casa provides residential services through foster care, and coordinates medical and psychological care according to the needs of each child. Services are provided to families to work toward reunification of the biological family, when appropriate, and to support adoptive placements. The Residential and Foster Care Program is the core service provided by Casa, with additional services that include After Care and Outreach, Adoption Services, Post Adoption Services, Child Development, Casework Services, and Volunteer & Program Support. All services are provided without cost to our clients.

Casa de Esperanza de los Niños Foundation (the Foundation) is a Texas nonprofit corporation. The Foundation was created in 1997 for the sole benefit and support of Casa de Esperanza de los Niños, Inc. and to develop an endowment fund to sustain Casa's work. The Foundation is classified as a Type I supporting organization.

Due to the close affiliation of the two entities, these financial statements have been presented on a combined basis. The following significant accounting policies are followed by Casa and the Foundation (the Organizations) in the preparation of the accompanying combined financial statements:

**Basis of Presentation**

The accompanying combined financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. As a result, the Organization adopted ASU No. 2016-14 (FASB Topic 958) as of January 1, 2018. The effects from this pronouncement are presented in these combined financial statements for years ended December 31, 2019 and 2018.

**Net Asset Classification**

Contributions, other revenues, expenses, investment returns and related net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the organizations and changes therein are classified and reported as follows:

**Net assets without donor restrictions** are available for use in general operations and are not restricted by any donor-imposed stipulations.

**Net assets with donor restrictions** are donations that are subject to donor imposed restrictions. Some restrictions are temporary in nature, such as those donations that are designated for a specific purpose by the donor, and the restriction is therefore released when the specified purpose has been fulfilled. Contributions of long-lived assets and of cash restricted for the purchase of long-lived assets are released from their restriction when the assets are placed in service. Other restrictions are permanent in nature, where the donor stipulates that the donated amount be maintained in perpetuity. Earnings on these permanently restricted endowment funds are unrestricted as long as the donated corpus amount remains intact; however, when these donor restricted funds incur losses that decrease the corpus below that original donated amount, the earnings will be designated as restricted net assets until such time that the initial corpus is restored.

**CASA DE ESPERANZA DE LOS NIÑOS, INC.  
CASA DE ESPERANZA DE LOS NIÑOS FOUNDATION  
Notes to the Combined Financial Statements  
December 31, 2019**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**Prior Year Information**

The combined 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 the Organizations' combined financial statements for the year ended December 31, 2018, from which the summarized information was derived.

**Estimates**

The preparation of combined financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Cash and Cash Equivalents**

Cash includes demand deposits and highly liquid financial instruments with maturities of three months or less, and which are neither held for nor restricted by donors for long-term purposes. Additionally, cash restricted for the purchase of long-lived assets, endowments that are permanent in nature are not classified as cash and cash equivalents.

**Contributions Receivable**

Contributions receivable are expected to be collected within one year and are reported at net realizable value. These receivables are deemed fully collectible by management. The carrying amounts of contributions receivable approximate fair market value due to the near-term collections of these instruments.

**Investments**

Investments are reported at fair value. The Organization's management determines the valuation policies utilizing information provided by investment advisors and custodians. Net investment return (loss) consists of interest and dividend income, realized and unrealized gains and losses, less investment expenses. These investment returns are usually reported on the combined statements of activities as a change in net assets without donor restrictions. However, when investments within donor restricted funds incur losses that decrease the corpus below that original donated restricted amount, the investment returns will be designated within net assets with donor restrictions until such time that the initial corpus is restored.

**Property and Equipment**

Property and equipment are stated at cost or fair market value of donated assets less accumulated depreciation. Expenditures for additions, major renewals and betterments are capitalized, and maintenance and repairs are charged to expense as incurred.

Depreciation expense related to property and equipment is computed as follows:

<b><u>Asset Description</u></b>	<b><u>Method</u></b>	<b><u>Range of Useful Lives</u></b>
Building and improvements	Straight-line	25 years
Land improvements	Straight-line	15 years
Furniture and fixtures	Straight-line	2 - 5 years
Transportation equipment	Straight-line	2 - 5 years
Software	Straight-line	2 - 5 years

**CASA DE ESPERANZA DE LOS NIÑOS, INC.**  
**CASA DE ESPERANZA DE LOS NIÑOS FOUNDATION**  
**Notes to the Combined Financial Statements**  
**December 31, 2019**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**Contributions**

Contributions are recorded as received, including unconditional promises to donate to Casa or the Foundation. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in the next year are recorded at their net realizable value. Long-term receivables are recorded at the full amount. Management considers any discount to report these amounts at present value to be immaterial to the combined financial statements.

**Contributed Services**

Casa receives services of volunteers at no compensation, or compensation less than comparable market compensation. During 2019, approximately 928 volunteers contributed approximately 120,830 hours of service in connection with Casa or Foundation programs. During 2018, approximately 1,040 volunteers contributed approximately 188,300 hours of service in connection with Casa or Foundation programs. The value of these contributed services is not recognized in the accompanying combined financial statements.

**Contributed Materials**

Contributed materials are generally recorded at fair market value when received. If donated items pass through Casa to its charitable beneficiaries and Casa only serves as an agent for the donors, then the donated items are not recorded.

**Income Tax Status**

Casa meets the requirements under Section 501(c) (3) of the Internal Revenue Code to be treated as a nonprofit, tax exempt organization. The Foundation meets the requirements under Section 501(c) (3) of the Internal Revenue Code to be treated as a not for profit corporation, tax exempt organization, which has been classified as a Type I supporting organization. Casa and the Foundation each file a U.S. Federal Return of Organization Exempt From Income Tax (Form 990). Casa and the Foundation are not currently being audited by a tax authority and are no longer subject to U.S. federal, state, or local income tax examinations by tax authorities for years before 2016. If Casa or the Foundation were under tax examination, management does not anticipate a material change in its financial position or tax exempt status.

**Functional Expense Allocations**

The costs of Program Services, Management and General and Fundraising activities have been summarized on a functional basis in the combined statement of activities. The Casa statements of functional expenses present the natural classification of expenses by function. Most expenses are a direct cost of a specific function. However, other expenses have been allocated among the programs and supporting services benefited. Expenses allocated include: salaries, benefits, payroll taxes, insurance, information technology and general agency expenses, which are allocated based upon estimated time, effort and departmental staffing levels. Depreciation, occupancy and property insurance are allocated based on estimated division of building usage and property valuations.

**Subsequent Events**

Management has evaluated subsequent events through March 17, 2020, which is the date that the combined financial statements were available for issuance. No changes were identified as a result of this evaluation that are required to be disclosed or would have an impact on reported net assets or changes in net assets.

**CASA DE ESPERANZA DE LOS NIÑOS, INC.  
CASA DE ESPERANZA DE LOS NIÑOS FOUNDATION  
Notes to the Combined Financial Statements  
December 31, 2019**

**NOTE 2 – CASH AND CASH EQUIVALENTS**

**Insured Cash Sweep**

In January 2018, Casa started participating in an Insured Cash Sweep (ICS) program through the financial institution that maintains Casa's operating cash account. Through this ICS program funds in excess of the daily operating needs are transferred into deposit accounts at other financial institutions in order to maintain cash balances below the Federal Deposit Insurance Corporation (FDIC) insurance amount at each financial institution. Funds included in this ICS program are classified as cash, since they are readily available for operating expenditures. At December 31, 2019 and 2018, \$446,540 and \$438,035 of cash and cash equivalents were comprised of assets maintained in the ICS program, respectively.

**Concentrations of credit risk**

Cash and cash equivalent balances maintained by banks are insured by the FDIC. These accounts are currently insured up to \$250,000 per bank per entity.

**NOTE 3 – CONTRIBUTIONS RECEIVABLE**

Casa had contributions receivable totaling \$354,757 as of December 31, 2019. Casa and the Foundation had contributions receivable totaling \$482,928 and \$500,000, respectively, as of December 31, 2018. Management believes that these receivables are fully collectible. As of December 31, 2019 and 2018, there were no long-term contributions receivable.

**NOTE 4 - LIQUIDITY RESOURCES**

As of December 31, 2019, Casa and the Foundation have \$2.2 million and \$10.8 million, respectively, of financial assets without donor restrictions that are available for general expenditures as follows:

	<b>Casa</b>	<b>The Foundation</b>	<b>Combined</b>
Operating cash	\$ 481,880	\$ 10,674	\$ 492,554
Money market, cash equivalents	1,454,571	-	1,454,571
Contributions receivable	354,757	-	354,757
Investments (See Note 6)	-	13,716,036	13,716,036
Total financial assets	\$ 2,291,208	\$ 13,726,710	\$ 16,017,918
Less financial assets not available for general expenditure:			
Restricted by donor with purpose restrictions	(52,991)	-	(52,991)
Certificates of deposit, long-term	-	(2,217,238)	(2,217,238)
Permanently restricted endowment funds	-	(700,000)	(700,000)
Total financial assets available for general expenditures	\$ 2,238,217	\$ 10,809,472	\$ 13,047,689

The financial assets in the Foundation are functioning as an endowment for the sole support of Casa. Casa has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet three to six months of normal operating expenses which are, on average, approximately \$310,000 per month. Casa has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. As part of its liquidity management, Casa invests cash in excess of daily requirements through the Insured Cash Sweep (ICS) program (see Note 2) offered by its operating bank, and in money market accounts at other financial institutions.

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**NOTE 5 - PROPERTY AND EQUIPMENT**

The following is a summary of Casa's property and equipment at cost less accumulated depreciation:

	<b><u>2019</u></b>	<b><u>2018</u></b>
Land	\$ 542,645	\$ 542,645
Land improvements	365,395	358,656
Buildings and improvements	3,944,983	3,935,395
Software	56,002	56,002
Transportation equipment	569,897	598,677
Furniture and fixtures	627,170	650,882
Total property and equipment	6,106,092	6,142,257
Less accumulated depreciation	(3,158,854)	(3,100,203)
Property and equipment, net	<u>\$ 2,947,238</u>	<u>\$ 3,042,054</u>

Depreciation expense was \$184,086 and \$195,781 for the years ended December 31, 2019 and 2018, respectively.

**NOTE 6 - INVESTMENTS**

***Investments***

The Board of Trustees of the Foundation (Foundation Trustees) select investment managers to manage all or a portion of the Foundation's assets. The investment managers employ a strategy that emphasizes a balanced return, relying on both current income and growth of principal from capital appreciation, dividends and interest income.

The Foundation's investments are primarily maintained in separately managed accounts, which allow for a more direct and transparent compliance with the Foundation's Investment Policy Statement. These accounts hold individual securities and are priced daily. The investment return is reported in the combined statements of activities as an increase in net assets without donor restrictions unless the use of the income is limited by donor-imposed restrictions. In 2019 and 2018 there were no restrictions on the use of investment returns.

The Foundation's investments include cash in the bank deposit program, fixed income securities such as U.S. treasury securities, government sponsored enterprise securities, corporate bonds, asset-backed securities, mortgage-backed securities and collateralized mortgage obligations. Investments also include equity investments such as stocks, real estate investment trusts and exchange-traded products and certificates of deposit. Some of the certificates of deposit held at December 31, 2019 had maturities of over a year and therefore are classified as non-current assets.

In prior years, the Foundation received \$700,000 in donations that were permanently restricted by the donors. These restrictions only allow the Foundation to use the earnings generated by the investment of these donations, while maintaining the \$700,000 corpus. From time to time, the fair value of the investment account where these funds are held may fall below the initial corpus value required to be maintained by the donor. When the fair market value of the fund becomes less than corpus value, only income from interest and dividends may be spent until the fair market value exceeds the corpus value. At December 31, 2019, the investment account that held these restricted funds was above the historic value, and therefore, the amount in excess of \$700,000 was classified as Investments, unrestricted.

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**NOTE 6 – INVESTMENTS - continued**

***Limited Partnership***

In 1996, Casa was gifted a one-percent interest in a limited partnership. This partnership had an estimated value of \$200,893 and \$197,674 as of December 31, 2019 and 2018, respectively.

***Concentrations of credit risk***

Cash held within the investment funds are covered by various cash protection programs, which provided FDIC and Securities Investor Protection Corporation (SIPC) coverage when a member firm fails financially and is unable to meet obligations to security clients, but it does not protect against market fluctuations.

Investments are exposed to various risks such as interest rate, market fluctuations and credit risks. Because of these risks, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the combined statement of financial position and the combined statement of activities.

**NOTE 7 - EMPLOYEE RETIREMENT PLAN**

The Casa de Esperanza Employee Retirement Plan (the Plan) is a defined contribution retirement plan, which covers substantially all the employees of Casa. The Plan authorizes contributions through discretionary profit sharing contributions by Casa, elective employee 401(k) salary deferrals, and employee rollover contributions. Employees are eligible to participate in the 401(k) salary deferrals and rollover contributions immediately upon employment. The profit sharing benefits are subject to eligibility and vesting requirements. The employer contribution for the profit sharing plan are allocated based upon age, compensation and interest assumptions. The investment of all plan contributions are participant directed. For the years ended December 31, 2019 and 2018, Casa contributed \$127,443 and \$127,227, respectively. For both years, this discretionary profit sharing contribution was approved by the Governing Board.

**NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS**

Casa received \$975,669 and \$965,508 in contributions for restricted purposes during the years ended December 31, 2019 and 2018, respectively. All restricted gifts were used during the respective year for the restricted purpose except \$52,991 and \$33,165, respectively.

For the years ended December 31, 2019 and 2018, respectively, Casa received donations with the following restrictions:

	<b>2019</b>	<b>2018</b>
Donations restricted to expenditure for specified purpose:		
Residential Program	\$ 833,575	\$ 871,319
Community Foster Care Program	5,400	15,000
Aftercare and Outreach Program	100,250	-
Hurricane Harvey Recovery	-	20,000
Capital donations	36,444	59,189
Total donations with donor restrictions	<u>\$ 975,669</u>	<u>\$ 965,508</u>

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**NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS - continued**

For the years ended December 31, 2019 and 2018, net assets with donor restrictions were restricted for these purposes:

	<b>2019</b>	<b>2018</b>
Casa Inc.:		
Residential Program	\$ 31,552	\$ 33,165
Community Foster Care Program	5,400	-
Aftercare and Outreach Program	16,039	-
	<u>52,991</u>	<u>33,165</u>
Casa Foundation:		
Permanently Restricted Endowment	700,000	700,000
Net Assets with donor restrictions	<u>\$ 752,991</u>	<u>\$ 733,165</u>

**NOTE 9 - FUNDRAISING**

Casa held fundraising events during the years ended December 31, 2019 and 2018. These events generated donations of \$931,995 and \$878,303, respectively. The direct costs associated with these events were \$120,337 and \$135,952, respectively.

**NOTE 10 - RELATED PARTY TRANSACTIONS**

As stated in Note 1, the Foundation was created to support Casa's purpose and to develop an endowment fund to sustain Casa's mission. In both 2019 and 2018, Casa received \$250,000 in funding from the Foundation.

**NOTE 11 - NEW ACCOUNTING PRONOUNCEMENTS**

The management considers the applicability and impact of all accounting standards updates (ASU's) issued by the Financial Accounting Standards Board (FASB). ASU's were assessed and determined to be either not applicable or are expected to have minimal impact on the financial position and results of operations of the Organizations.