

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

**CASA DE ESPERANZA
DE LOS NIÑOS FOUNDATION**

Combined Financial Statements

**For the Years Ended
December 31, 2021 and 2020**

(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

Opinion

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, 2021, 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.

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, 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Casa de Esperanza de los Niños, Inc. and Casa de Esperanza de los Niños Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the combined financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Casa de Esperanza de los Niños, Inc. and Casa de Esperanza de los Niños Foundation's ability to continue as a going concern within one year after the date that the combined financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the combined financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the combined financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Casa de Esperanza de los Niños, Inc. and Casa de Esperanza de los Niños Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Casa de Esperanza de los Niños, Inc. and Casa de Esperanza de los Niños Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Casa de Esperanza de los Niños, Inc. and Casa de Esperanza de los Niños Foundation's 2020 combined financial statements, and our report dated March 19, 2021, 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, 2020, is consistent, in all material respects, with the audited combined financial statements from which it has been derived.



Houston, Texas

April 18, 2022

CASA DE ESPERANZA DE LOS NIÑOS, INC.
CASA DE ESPERANZA DE LOS NIÑOS FOUNDATION
Combined Statements of Financial Position
December 31, 2021
(with summarized financial information as of December 31, 2020)

	<u>Casa Inc.</u>	<u>Casa Foundation</u>	<u>Combined Funds</u>	
	<u>2021</u>		<u>2021</u>	<u>2020</u>
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 2,276,790	\$ 330	\$ 2,277,120	\$ 2,350,604
Contributions receivable	521,838	-	521,838	495,902
Prepaid expenses	98,490	-	98,490	61,729
Investments	-	15,973,483	15,973,483	12,501,326
Total Current Assets	<u>2,897,118</u>	<u>15,973,813</u>	<u>18,870,931</u>	<u>15,409,561</u>
Non-Current Assets				
Contributions receivable, long-term	-	-	-	90,000
Investment in limited partnership	211,595	-	211,595	208,487
Property and equipment, net	2,548,894	-	2,548,894	2,822,724
Investments, unrestricted	-	1,007,728	1,007,728	1,531,591
Investments, endowment fund	-	700,000	700,000	700,000
Total Non-Current Assets	<u>2,760,489</u>	<u>1,707,728</u>	<u>4,468,217</u>	<u>5,352,802</u>
Total Assets	<u>\$ 5,657,607</u>	<u>\$ 17,681,541</u>	<u>\$ 23,339,148</u>	<u>\$ 20,762,363</u>
LIABILITIES AND NET ASSETS				
Current Liabilities				
Accounts payable	\$ 42,931	\$ -	\$ 42,931	\$ 40,006
Accrued expenses	146,922	-	146,922	157,736
Total Current Liabilities	<u>189,853</u>	<u>-</u>	<u>189,853</u>	<u>197,742</u>
Net Assets				
Without donor restrictions	5,346,179	16,981,541	22,327,720	19,649,621
With donor restrictions	121,575	700,000	821,575	915,000
Total Net Assets	<u>5,467,754</u>	<u>17,681,541</u>	<u>23,149,295</u>	<u>20,564,621</u>
Total Liabilities and Net Assets	<u>\$ 5,657,607</u>	<u>\$ 17,681,541</u>	<u>\$ 23,339,148</u>	<u>\$ 20,762,363</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, 2021
(with summarized financial information for the year ended December 31, 2020)

	CASA DE ESPERANZA DE LOS NIÑOS, INC.			CASA DE ESPERANZA DE LOS NIÑOS FOUNDATION				
	2021			2021			2021	2020
	Without Donor Restrictions	With Donor Restrictions	Total Funds	Without Donor Restrictions	With Donor Restrictions	Total Funds	Combined Funds	Combined Funds
REVENUE								
Contributions								
Foundations and grants	\$ 291,918	\$ 705,120	\$ 997,038	\$ -	\$ -	\$ -	\$ 997,038	\$ 1,235,127
Individuals and estates	1,383,115	13,800	1,396,915	200	-	200	1,397,115	872,649
Institutions and corporations	107,361	270,750	378,111	-	-	-	378,111	360,470
Churches and religious organizations	29,000	20,000	49,000	-	-	-	49,000	60,031
Contributions	1,811,394	1,009,670	2,821,064	200	-	200	2,821,264	2,528,277
Special Events								
Special event revenue	745,404	-	745,404	-	-	-	745,404	1,162,308
Direct donor benefit costs	(116,962)	-	(116,962)	-	-	-	(116,962)	(4,813)
Special events	628,442	-	628,442	-	-	-	628,442	1,157,495
Investments and Other Income								
Investment returns, net	3,469	-	3,469	2,500,294	-	2,500,294	2,503,763	1,299,081
Gain on asset disposition	584,408	-	584,408	-	-	-	584,408	1,169
CARES Act PPP loan forgiveness	-	-	-	-	-	-	-	446,300
Funding from Casa Foundation	250,000	-	250,000	(250,000)	-	(250,000)	-	-
Property sale proceeds to Casa Foundation	(698,000)	-	(698,000)	698,000	-	698,000	-	-
Satisfaction of program restrictions	1,103,095	(1,103,095)	-	-	-	-	-	-
TOTAL REVENUE	3,682,808	(93,425)	3,589,383	2,948,494	-	2,948,494	6,537,877	5,432,322
EXPENSE								
Program								
Residential and Foster Care	2,567,238	-	2,567,238	-	-	-	2,567,238	2,575,279
Family Support Services, covid assistance included	597,393	-	597,393	-	-	-	597,393	588,941
Program services	3,164,631	-	3,164,631	-	-	-	3,164,631	3,164,220
Management & General	357,204	-	357,204	16,555	-	16,555	373,759	315,905
Fundraising	414,813	-	414,813	-	-	-	414,813	436,902
TOTAL EXPENSE	3,936,648	-	3,936,648	16,555	-	16,555	3,953,203	3,917,027
TOTAL CHANGE IN NET ASSETS	(253,840)	(93,425)	(347,265)	2,931,939	-	2,931,939	2,584,674	1,515,295
NET ASSETS - BEGINNING OF YEAR	5,600,019	215,000	5,815,019	14,049,602	700,000	14,749,602	20,564,621	19,049,326
NET ASSETS - END OF YEAR	\$ 5,346,179	\$ 121,575	\$ 5,467,754	\$ 16,981,541	\$ 700,000	\$ 17,681,541	\$ 23,149,295	\$ 20,564,621

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, 2021
(with summarized financial information for the year ended December 31, 2020)

	Residential and Foster Care		Family Support Services			Shared Program Expenses						
	Residential							Total	Management		2021	2020
	In-House	Community	After-Care	Adoption	Post	Child	Casework	Program	and	Fundraising	Total	Total
	Foster Care	Foster Care	and Outreach	Services	Adoption	Development	Services	Services	General			
Payroll, taxes and benefits	\$ 1,123,850	\$ 60,600	\$ 200,149	\$ 11,157	\$ 116,601	\$ 150,912	\$ 523,938	\$ 2,187,207	\$ 258,165	\$ 347,326	\$ 2,792,698	\$ 2,727,964
Insurance	147,969	7,428	6,059	-	667	15,593	40,310	218,026	34,620	2,003	254,649	237,372
Repairs and maintenance	147,580	2,187	2,570	-	854	2,570	59,034	214,795	11,101	21,884	247,780	272,360
Depreciation	125,076	1,010	5,615	-	-	1,317	23,858	156,876	6,662	3,277	166,815	176,457
Professional fees	-	-	-	52,122	-	10,800	-	62,922	52,593	-	115,515	61,633
Utilities and telephone	74,066	3,085	2,076	-	821	942	14,801	95,791	2,730	2,464	100,985	96,496
Outreach assistance and support	1,888	4,713	47,440	-	19,796	-	-	73,837	-	-	73,837	122,399
Office expenses	29,179	205	3,063	-	54	2,542	26,211	61,254	2,466	7,283	71,003	69,421
Food and household	37,012	447	637	-	-	778	3,370	42,244	137	1,959	44,340	63,737
Newsletters, brochures and annual report	-	-	-	-	-	-	-	-	562	26,055	26,617	30,324
Education and daycare	-	18,690	-	-	-	-	-	18,690	-	-	18,690	11,215
Transportation	13,055	-	1,844	-	-	-	3,354	18,253	33	93	18,379	15,598
Training and professional development	3,623	378	180	-	106	-	1,264	5,551	61	2,320	7,932	8,677
Records and testing fees	3,058	154	112	-	-	-	2,198	5,522	74	149	5,745	8,030
Medical	2,750	913	-	-	-	-	-	3,663	-	-	3,663	10,844
Administrative fees, charged to Foundation	-	-	-	-	-	-	-	-	(12,000)	-	(12,000)	(12,000)
Operating Expenses before program allocation	1,709,106	99,810	269,745	63,279	138,899	185,454	698,338	3,164,631	357,204	414,813	3,936,648	3,900,527
Program allocations	475,726	282,596	-	88,379	37,091	(185,454)	(698,338)	-	-	-	-	-
TOTAL OPERATING EXPENSES	\$ 2,184,832	\$ 382,406	\$ 269,745	\$ 151,658	\$ 175,990	\$ -	\$ -	\$ 3,164,631	\$ 357,204	\$ 414,813	\$ 3,936,648	\$ 3,900,527

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, 2021
(with summarized financial information for the year ended December 31, 2020)

	<u>Casa Inc.</u>	<u>Casa Foundation</u>	<u>Combined Funds</u>	
	<u>2021</u>		<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Change in net assets	\$ (347,265)	\$ 2,931,939	\$ 2,584,674	\$ 1,515,295
Adjustments to reconcile change in net assets to net cash from operating activities:				
Net realized and unrealized (gain) losses on investments	-	(2,340,882)	(2,340,882)	(1,063,801)
Limited partnership income	(3,108)	-	(3,108)	(7,594)
Depreciation	166,815	-	166,815	176,457
Gain on asset disposition	(584,408)	-	(584,408)	(1,169)
Net proceeds from property sale transferred to Casa Foundation	698,000	(698,000)	-	
CARES Act PPP loan - forgiveness granted	-	-	-	(446,300)
Changes in operating assets and liabilities:				
Contributions receivable	64,064	-	64,064	(231,145)
Prepaid expenses	(36,761)	-	(36,761)	(17,214)
Accounts payable	2,925	-	2,925	6,524
Accrued expenses	(10,814)	-	(10,814)	29,980
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(50,552)</u>	<u>(106,943)</u>	<u>(157,495)</u>	<u>(38,967)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment purchases	-	(11,040,597)	(11,040,597)	(5,838,096)
Proceeds from sale of investments	-	10,433,185	10,433,185	5,885,016
Proceeds from sale of fixed assets	726,063	-	726,063	2,520
Purchases of property and equipment	(34,640)	-	(34,640)	(53,294)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>691,423</u>	<u>(607,412)</u>	<u>84,011</u>	<u>(3,854)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Net proceeds from property sale transferred to Casa Foundation	(698,000)	698,000	-	
CARES Act PPP loan - forgiveness granted	-	-	-	446,300
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>(698,000)</u>	<u>698,000</u>	<u>-</u>	<u>446,300</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(57,129)	(16,355)	(73,484)	403,479
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>2,333,919</u>	<u>16,685</u>	<u>2,350,604</u>	<u>1,947,125</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,276,790</u>	<u>\$ 330</u>	<u>\$ 2,277,120</u>	<u>\$ 2,350,604</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, 2021**

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 and Family 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.

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, 2021

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, 2020, from which the summarized information was derived.

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:

<u>Asset Description</u>	<u>Method</u>	<u>Range of Useful Lives</u>
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

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.

**CASA DE ESPERANZA DE LOS NIÑOS, INC.
CASA DE ESPERANZA DE LOS NIÑOS FOUNDATION
Notes to the Combined Financial Statements
December 31, 2021**

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 2021, approximately 260 volunteers contributed approximately 99,404 hours of service in connection with Casa or Foundation programs. During 2020, approximately 398 volunteers contributed approximately 76,527 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.

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.

Coronavirus Disease

During 2021 and 2020, as a result of the world-wide Coronavirus Disease (COVID-19), the focus of many of Casa's program services had to be modified to help ensure the safety of our clients, staff and volunteers. Understanding the importance of keeping children, families, and staff safe, Casa acted early and proactively to prepare for the impact of COVID-19. These actions included, among other things, the establishment of COVID-19 protocols, the closure of the Casa neighborhood to all non-residential staff and visitors, virtual training for all new staff, and quarantining and social distancing restrictions for all staff. Additionally, Casa also expanded the level of care provided to the birth parents and aftercare clients through limited rent and utility assistance, and the regular distribution of food and household supplies to those in need.

Subsequent Events

Management has evaluated subsequent events through April 18 2022, 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, 2021**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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 2018. If Casa or the Foundation were under tax examination, management does not anticipate a material change in its financial position or tax exempt status.

NOTE 2 - CASH AND CASH EQUIVALENTS

Insured Cash Sweep

Casa participates 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. As of December 31, 2021 and 2020, \$187,469 and \$446,540 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. In 2020, Casa started utilizing a new financial institution for its primary operating account. At this financial institution, Casa transfers funds in excess of the FDIC insured limit to a linked money market account that is comprised of US Government backed securities such as US Treasury Bills, US Government Repurchase Agreements, and US Treasury Coupons. As of December 31, 2021, the balance in this account was \$995,113. Funds included in this money market account are classified as cash since they are readily available for operating expenditures.

NOTE 3 - CONTRIBUTIONS RECEIVABLE

As of December 31, 2021 and 2020, Casa had contributions receivable totaling \$521,838 and \$585,902, respectively. As of December 31, 2021 there were no long-term receivables. The balance as of December 31, 2020 included \$90,000 in long-term receivable from one donor, which is scheduled for collection in 2022. The Foundation had no contributions receivable during December 31, 2021 and 2020. Management believes that these receivables are fully collectible.

NOTE 4 - 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 2021 and 2020, Casa received \$250,000 in funding from the Foundation. During 2021, Casa sold the last remaining property in the Houston Museum District. This sale realized net proceeds of approximately \$698,000, which was transferred to Casa Foundation in accordance with previously established policies for property sales.

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NOTE 5 - LIQUIDITY RESOURCES

As of December 31, 2021, Casa and the Foundation had financial assets without donor restrictions that are available for general expenditures as follows:

	Casa	The Foundation	Combined
Operating cash	\$ 368,593	\$ 330	\$ 368,923
Money market, cash equivalents	1,908,197	-	1,908,197
Contributions receivable	521,838	-	521,838
Investments (See Note 7)	-	17,681,211	17,681,211
Total financial assets	\$ 2,798,628	\$ 17,681,541	\$ 20,480,169
Less financial assets not available for general expenditure:			
Restricted by donor with purpose restrictions	(121,575)	-	(121,575)
Certificates of deposit, long-term	-	(1,007,728)	(1,007,728)
Permanently restricted endowment funds	-	(700,000)	(700,000)
Total financial assets available for general expenditures	\$ 2,677,053	\$ 15,973,813	\$ 18,650,866

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 \$330,000 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.

NOTE 6 - PROPERTY AND EQUIPMENT

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

	2021	2020
Land	\$ 503,955	\$ 542,645
Land improvements	398,576	365,395
Buildings and improvements	3,585,597	3,973,978
Software	32,160	32,160
Transportation equipment	439,649	542,886
Furniture and fixtures	591,078	650,609
Total property and equipment	5,551,015	6,107,673
Less accumulated depreciation	(3,002,121)	(3,284,949)
Property and equipment, net	\$ 2,548,894	\$ 2,822,724

Depreciation expense was \$166,815 and \$176,457 for the years ended December 31, 2021 and 2020, respectively.

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NOTE 7 - 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 2021 and 2020 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, 2021 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, 2021, 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.

Limited Partnership

In 1996, Casa was gifted a one-percent interest in a limited partnership. This partnership had an estimated value of \$211,595 and \$208,487 as of December 31, 2021 and 2020, 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.

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NOTE 8 - FUNDRAISING

Casa held fundraising events during the years ended December 31, 2021 and 2020. These events generated donations of \$745,404 and \$1,162,308 with the direct costs of \$116,962 and 4,813, respectively, for the years ended December 31, 2021 and 2020. Due to the Coronavirus pandemic, the 2021 gala was a virtual event and the 2020 gala was cancelled. In spite of the cancellation in 2020, substantially all donors chose to allow Casa to keep their gala payments and pledges as donations.

NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS

Casa received \$1,009,670 and \$1,106,555 in contributions for restricted purposes during the years ended December 31, 2021 and 2020, respectively. All restricted gifts were used during the respective year for the restricted purpose except \$121,575 and \$215,000, respectively.

For the years ended December 31, 2021 and 2020, Casa received donations with the following restrictions:

	2021	2020
Donations restricted to expenditure for specified purpose:		
Residential Program	\$ 834,750	\$ 983,250
Aftercare and Outreach Program	56,120	8,000
Family Support Services	13,800	-
Administrative, including a strategic plan	70,000	-
COVID-19 and other disaster relief	35,000	115,305
Total donations with donor restrictions	<u>\$ 1,009,670</u>	<u>\$ 1,106,555</u>

For the years ended December 31, 2021 and 2020, net assets with donor restrictions were restricted for these purposes:

	2021	2020
Casa Inc.:		
Residential Program	\$ 116,575	\$ 200,000
COVID-19 Preparation and Relief Assistance	-	10,000
Aftercare and Outreach Program	5,000	5,000
	<u>121,575</u>	<u>215,000</u>
Casa Foundation:		
Permanently Restricted Endowment	700,000	700,000
Net Assets with donor restrictions	<u>\$ 821,575</u>	<u>\$ 915,000</u>

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NOTE 10 - 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 an employee elective 401(k) salary deferral and employee rollover contributions. Employees are eligible to participate in the 401(k) salary deferrals and rollover contributions immediately upon employment.

The Plan includes a discretionary partial match by Casa of employee 401(k) deferrals, in addition to the discretionary profit sharing contributions by Casa. The profit sharing and 401(k) match benefits are subject to eligibility and vesting requirements. The allocation of the employer contribution for the profit sharing is based upon years of service and compensation.

For the years ended December 31, 2021 and 2020, Casa contributed \$152,755 and \$152,261, respectively. These discretionary Casa contributions were approved by the Governing Board.

The investments in each participant's plan account are participant directed.

NOTE 11 - SMALL BUSINESS ADMINISTRATION (SBA) LOAN

On April 20, 2020, Casa received a loan in the amount of \$446,300 from the SBA as part of *Coronavirus Aid, Relief and Economic Security Act's* Paycheck Protection Program (CARES Act PPP).

The loan was unsecured, nonrecourse, and accrued interest at one percent per annum with a due date of April 20, 2022. Under the terms of the loan, a portion or all of the loan was forgivable to the extent that loan proceeds were used to fund qualifying payroll, rent and utilities during a designated period.

The CARES Act loan forgiveness transaction is outside of normal operations. Management has chosen to record the loan and loan forgiveness following FASB ASC 470 (the debt model). On November 13, 2020, the loan was forgiven in full by the SBA and was recorded to other income.

NOTE 12 - 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.