

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

**CASA DE ESPERANZA
DE LOS NIÑOS FOUNDATION**

Combined Financial Statements

**For the Years Ended
December 31, 2022 and 2021**

(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, 2022, 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, 2022, 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 2021 combined financial statements, and our report dated April 18, 2022, 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, 2021, is consistent, in all material respects, with the audited combined financial statements from which it has been derived.



Houston, Texas

April 30, 2023

CASA DE ESPERANZA DE LOS NIÑOS, INC.
CASA DE ESPERANZA DE LOS NIÑOS FOUNDATION
Combined Statements of Financial Position
December 31, 2022
(with summarized financial information as of December 31, 2021)

	<u>Casa Inc.</u>	<u>Casa Foundation</u>	<u>Combined Funds</u>	
	<u>2022</u>		<u>2022</u>	<u>2021</u>
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 1,111,381	\$ 330	\$ 1,111,711	\$ 2,277,120
Contributions receivable	281,493	-	281,493	521,838
Prepaid expenses	95,910	-	95,910	98,490
Investments	200,796	15,206,967	15,407,763	15,973,483
Casa Foundation due to Casa Inc.	383,010	(383,010)	-	-
Total Current Assets	<u>2,072,590</u>	<u>14,824,287</u>	<u>16,896,877</u>	<u>18,870,931</u>
Non-Current Assets				
Property and equipment, net	2,768,097	-	2,768,097	2,548,894
Investment in limited partnership	227,492	-	227,492	211,595
Investments, unrestricted	-	-	-	1,007,728
Investments, endowment fund	-	688,581	688,581	700,000
Total Non-Current Assets	<u>2,995,589</u>	<u>688,581</u>	<u>3,684,170</u>	<u>4,468,217</u>
Total Assets	<u>\$ 5,068,179</u>	<u>\$ 15,512,868</u>	<u>\$ 20,581,047</u>	<u>\$ 23,339,148</u>
LIABILITIES AND NET ASSETS				
Current Liabilities				
Accounts payable	\$ 29,964	\$ -	\$ 29,964	\$ 42,931
Accrued expenses	135,556	-	135,556	146,922
Total Current Liabilities	<u>165,520</u>	<u>-</u>	<u>165,520</u>	<u>189,853</u>
Net Assets				
Without donor restrictions	4,604,693	14,824,287	19,428,980	22,327,720
With donor restrictions	297,966	688,581	986,547	821,575
Total Net Assets	<u>4,902,659</u>	<u>15,512,868</u>	<u>20,415,527</u>	<u>23,149,295</u>
Total Liabilities and Net Assets	<u>\$ 5,068,179</u>	<u>\$ 15,512,868</u>	<u>\$ 20,581,047</u>	<u>\$ 23,339,148</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, 2022
(with summarized financial information for the year ended December 31, 2021)

	CASA DE ESPERANZA DE LOS NIÑOS, INC.			CASA DE ESPERANZA DE LOS NIÑOS FOUNDATION				
	2022			2022			2022	2021
	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	\$ 322,303	\$ 870,500	\$ 1,192,803	\$ -	\$ -	\$ -	\$ 1,192,803	\$ 997,038
Individuals and estates	794,412	32,945	827,357	1,000,000	-	1,000,000	1,827,357	1,397,115
Institutions and corporations	134,791	194,250	329,041	-	-	-	329,041	378,111
Churches and religious organizations	36,513	20,000	56,513	-	-	-	56,513	49,000
Contributions	1,288,019	1,117,695	2,405,714	1,000,000	-	1,000,000	3,405,714	2,821,264
Special Events								
Special event revenue	735,912	-	735,912	-	-	-	735,912	745,404
Direct donor benefit costs	(181,073)	-	(181,073)	-	-	-	(181,073)	(116,962)
Special events	554,839	-	554,839	-	-	-	554,839	628,442
Investments and Other Income								
Investment returns, net	20,539	-	20,539	(2,507,403)	(11,419)	(2,518,822)	(2,498,283)	2,503,763
Gain (loss) on asset disposition	(23,996)	-	(23,996)	-	-	-	(23,996)	584,408
Funding from Casa Foundation	633,000	-	633,000	(633,000)	-	(633,000)	-	-
Satisfaction of program restrictions	941,304	(941,304)	-	-	-	-	-	-
TOTAL REVENUE	3,413,705	176,391	3,590,096	(2,140,403)	(11,419)	(2,151,822)	1,438,274	6,537,877
EXPENSE								
Program								
Residential and Foster Care	2,222,297	-	2,222,297	-	-	-	2,222,297	2,567,238
Family Support Services	1,022,596	-	1,022,596	-	-	-	1,022,596	597,393
Program services	3,244,893	-	3,244,893	-	-	-	3,244,893	3,164,631
Management & General	427,850	-	427,850	16,851	-	16,851	444,701	373,759
Fundraising	482,448	-	482,448	-	-	-	482,448	414,813
TOTAL EXPENSE	4,155,191	-	4,155,191	16,851	-	16,851	4,172,042	3,953,203
TOTAL CHANGE IN NET ASSETS	(741,486)	176,391	(565,095)	(2,157,254)	(11,419)	(2,168,673)	(2,733,768)	2,584,674
NET ASSETS - BEGINNING OF YEAR	5,346,179	121,575	5,467,754	16,981,541	700,000	17,681,541	23,149,295	20,564,621
NET ASSETS - END OF YEAR	\$ 4,604,693	\$ 297,966	\$ 4,902,659	\$ 14,824,287	\$ 688,581	\$ 15,512,868	\$ 20,415,527	\$ 23,149,295

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, 2022
(with summarized financial information for the year ended December 31, 2021)

	Residential and Foster Care		Family Support Services				Shared Program Expenses				Total Program Services	Management and General	Fundraising	2022 Total	2021 Total
	Residential In-House Foster Care	Community Foster Care	BirthParent Assistance	After-Care and Outreach	Adoption Services	Post Permanency	Child & Family Development	Casework Services	Outreach	Compliance					
Payroll, taxes and benefits	\$ 955,863	\$ -	\$ -	\$ 90,377	\$ -	\$ -	\$ 156,588	\$ 763,769	\$ 135,547	\$ 80,142	\$ 2,182,286	\$ 324,922	\$ 389,772	\$ 2,896,980	\$ 2,792,698
Insurance	153,867	6,457	-	5,709	-	-	19,268	49,172	9	-	234,482	43,713	5,888	284,083	254,649
Repairs and maintenance	179,457	1,624	-	195	-	-	-	54,597	-	-	235,873	14,934	29,184	279,991	247,780
Depreciation	129,971	-	-	3,224	-	-	349	24,873	348	349	159,114	4,529	4,938	168,581	166,815
Professional fees	-	777	-	-	118,940	-	10,800	-	-	-	130,517	27,700	-	158,217	115,515
Utilities and telephone	64,879	-	-	1,026	-	-	59	12,352	524	225	79,065	9,568	8,398	97,031	100,985
Outreach assistance and support	-	1,242	4,001	23,589	-	20,223	-	-	-	-	49,055	-	-	49,055	73,837
Office expenses	32,874	137	-	561	-	86	-	34,583	6,059	-	74,300	6,977	11,633	92,910	71,003
Food and household	32,361	426	-	132	-	-	493	6,760	250	250	40,672	803	3,589	45,064	44,340
Newsletters, brochures and annual report	-	-	-	-	-	-	-	-	1,036	-	1,036	461	26,295	27,792	26,617
Education and daycare	-	23,416	-	-	-	-	-	-	-	-	23,416	-	-	23,416	18,690
Transportation	12,523	-	-	1,881	-	-	-	6,252	751	-	21,407	-	81	21,488	18,379
Training and professional development	1,582	235	-	172	-	160	-	4,053	67	-	6,269	6,090	2,632	14,991	7,932
Records and testing fees	335	98	569	292	-	-	-	2,398	-	-	3,692	75	-	3,767	5,745
Medical	3,633	-	-	-	-	-	-	76	-	-	3,709	78	38	3,825	3,663
Administrative fees, charged to Foundation	-	-	-	-	-	-	-	-	-	-	-	(12,000)	-	(12,000)	(12,000)
Operating Expenses before program allocation	1,567,345	34,412	4,570	127,158	118,940	20,469	187,557	958,885	144,591	80,966	3,244,893	427,850	482,448	4,155,191	3,936,648
Program allocations	337,100	283,440	335,677	241,632	87,075	87,075	(187,557)	(958,885)	(144,591)	(80,966)	-	-	-	-	-
TOTAL OPERATING EXPENSES	\$ 1,904,445	\$ 317,852	340,247	\$ 368,790	\$ 206,015	\$ 107,544	\$ -	\$ -	\$ -	\$ -	\$ 3,244,893	\$ 427,850	\$ 482,448	\$ 4,155,191	\$ 3,936,648

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, 2022
(with summarized financial information for the year ended December 31, 2021)

	<u>Casa Inc.</u>	<u>Casa Foundation</u>	<u>Combined Funds</u>	
	<u>2022</u>		<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Change in net assets	\$ (565,095)	\$ (2,168,673)	\$ (2,733,768)	\$ 2,584,674
Adjustments to reconcile change in net assets				
to net cash from operating activities:				
Net realized and unrealized (gain) losses on investments	-	2,702,652	2,702,652	(2,340,882)
Stock contribution	(200,796)	-	(200,796)	-
Limited partnership income	(15,897)	-	(15,897)	(3,108)
Depreciation	168,581	-	168,581	166,815
Loss (Gain) on asset disposition	23,996	-	23,996	(584,408)
Changes in operating assets and liabilities:				
Contributions receivable	240,346	-	240,346	64,064
Prepaid expenses	2,580	-	2,580	(36,761)
Accounts payable	(12,967)	-	(12,967)	2,925
Accrued expenses	(11,367)	-	(11,367)	(10,814)
Due To/From Casa Inc/Casa Fdtn	(383,010)	383,010	-	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(753,629)</u>	<u>916,989</u>	<u>163,360</u>	<u>(157,495)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment purchases	-	(12,465,419)	(12,465,419)	(11,040,597)
Proceeds from sale of investments	-	11,548,430	11,548,430	10,433,185
Proceeds from sale of fixed assets	29,000	-	29,000	726,063
Purchases of property and equipment	(440,780)	-	(440,780)	(34,640)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(411,780)</u>	<u>(916,989)</u>	<u>(1,328,769)</u>	<u>84,011</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,165,409)	-	(1,165,409)	(73,484)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>2,276,790</u>	<u>330</u>	<u>2,277,120</u>	<u>2,350,604</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,111,381</u>	<u>\$ 330</u>	<u>\$ 1,111,711</u>	<u>\$ 2,277,120</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, 2022**

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 foster care 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 foster care services, 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 permanency placements. The Foster Care Program is the core service provided by Casa, with additional services that include After Care and Outreach, Permanency Services, Post Permanency Services, Casework Services, and Volunteer & Program Support. All services are provided without cost to our clients.

Casa de Esperanza de los Niños Foundation (the Foundation or Casa 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, 2022

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, 2021, 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 - 25 years
Furniture and fixtures	Straight-line	2 - 5 years
Transportation equipment	Straight-line	2 - 8 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, 2022

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 2022, approximately 554 volunteers contributed approximately 90,582 hours of service in connection with Casa or Foundation programs. During 2021, approximately 260 volunteers contributed approximately 99,404 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

Starting in 2020, because of the world-wide Coronavirus Disease (COVID-19), Casa changed the focus of many of Casa's program services, which 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.

While the direct effects of COVID-19 have lessened in 2022 and 2021, some of the required program modifications remain, including the increased focus on Family Support Services.

**CASA DE ESPERANZA DE LOS NIÑOS, INC.
CASA DE ESPERANZA DE LOS NIÑOS FOUNDATION
Notes to the Combined Financial Statements
December 31, 2022**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Subsequent Events

Management has evaluated subsequent events through April 30, 2023, 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.

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 2019. 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 maintain 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 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, 2022 and 2021, \$188,691 and \$187,469 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. Casa utilizes a 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, 2022, the balance in this account was \$117,975. 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, 2022 and 2021, Casa had contributions receivable totaling \$281,493 and \$521,838, respectively. Management believes that these receivables are fully collectible.

As of December 31, 2022 and 2021, there were no long-term receivables.

The Foundation had no contributions receivable during the years ended December 31, 2022 and 2021.

**CASA DE ESPERANZA DE LOS NIÑOS, INC.
CASA DE ESPERANZA DE LOS NIÑOS FOUNDATION
Notes to the Combined Financial Statements
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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 2022, Casa received two types of funding from Casa Foundation, general funding and an annual appeal match. The general funding amount of \$250,000 was received in both 2022 and 2021. The 2022 annual appeal match funding was \$383,000, which increased the Casa Foundation funding of Casa to a total of \$633,000 for 2022. This additional funding was made possible by a \$1.0 million donation that Casa Foundation received in 2022 to help support the Casa annual appeal in 2022 and future years.

As of December 31, 2022, Casa had a receivable balance of \$383,010 from Casa Foundation primarily related to the annual appeal match.

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.

NOTE 5 - LIQUIDITY RESOURCES

As of December 31, 2022, Casa and the Foundation had financial assets without donor restrictions that are available for general expenditures as follows:

	Casa	The Foundation	Combined
Operating cash	\$ 427,007	\$ 330	\$ 427,337
Money market, cash equivalents	684,374	-	684,374
Contributions receivable	281,493	-	281,493
Due to/from Casa/Casa Foundation	383,010	(383,010)	-
Investments (See Note 7)	200,796	15,895,548	16,096,344
Total financial assets	\$ 1,976,680	\$ 15,512,868	\$ 17,489,548
Less financial assets not available for general expenditure:			
Restricted by donor with purpose restrictions	(297,966)	-	(297,926)
Permanently restricted endowment funds	-	(688,581)	(688,581)
Total financial assets available for general expenditures	\$ 1,678,714	\$ 14,824,287	\$ 16,503,001

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 \$360,000 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 6 - PROPERTY AND EQUIPMENT

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

	2022	2021
Land	\$ 503,955	\$ 503,955
Land improvements	764,854	398,576
Buildings and improvements	3,593,097	3,585,597
Software	33,379	32,160
Transportation equipment	335,837	439,649
Furniture and fixtures	601,362	591,078
Total property and equipment	5,832,484	5,551,015
Less accumulated depreciation	(3,064,387)	(3,002,121)
Property and equipment, net	<u>\$ 2,768,097</u>	<u>\$ 2,548,894</u>

Depreciation expense was \$168,581 and \$166,815 for the years ended December 31, 2022 and 2021, respectively.

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.

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. As of December 31, 2021, the Foundation held certificates of deposit that had maturities of over a year and therefore were classified as non-current assets. As of December 31, 2022 the Foundation no longer held any certificates of deposit.

Investment, endowment fund

In prior years, the Foundation received \$700,000 in donations that were donor restricted. The donor requested the Foundation to use only the earnings generated by the \$700,000 investment of these donations, while maintaining the \$700,000 corpus. From time to time, the fair value of the investment account may fall below the initial corpus value required to be maintained by the donor. Along with the general downward market trends of 2022, the Foundation investments incurred losses that dropped the corpus to \$688,581 as of December 31, 2022. In accordance with the Foundation policy, no funds were distributed out of these accounts during 2022.

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NOTE 7 – INVESTMENTS - continued

Limited Partnership

In 1996, Casa was gifted a one-percent interest in a limited partnership. This partnership had an estimated value of \$227,492 and \$211,595 as of December 31, 2022 and 2021, 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 8 – FUNDRAISING

Casa held fundraising events during the years ended December 31, 2022 and 2021. These events generated donations of \$735,912 and \$745,404 with the direct costs of \$181,072 and \$116,962, respectively, for the years ended December 31, 2022 and 2021. Due to the Coronavirus pandemic, the 2021 gala was a virtual event and returned to an in-person event in 2022.

NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS

Casa received \$1,117,695 and \$1,009,670 in contributions for restricted purposes during the years ended December 31, 2022 and 2021, respectively. All restricted gifts were used during the respective year for the restricted purpose except \$297,966 and \$121,575, respectively.

For the years ended December 31, 2022 and 2021, Casa received donations with the following restrictions:

	2022	2021
Donations restricted to expenditure for specified purpose:		
Residential Program	\$ 799,000	\$ 834,750
Foster Care – Residential	38,695	-
Foster Care – Community	150,000	-
Family Support Services – Aftercare	30,000	56,120
Family Support Services – Post Permanency	100,000	13,800
COVID-19 Preparation and Relief Assistance	-	35,000
Administrative	-	70,000
Total donations with donor restrictions	<u>\$ 1,117,695</u>	<u>\$ 1,009,670</u>

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NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS – continued

For the years ended December 31, 2022 and 2021, net assets with donor restrictions were restricted for these purposes:

	2022	2021
Casa Inc.:		
Foster Care – Residential	\$ 179,466	\$ 116,575
Family Support Services – Post Permanency	88,500	-
Family Support Services – Casework	30,000	-
Family Support Services – After Care	-	5,000
	<u>297,966</u>	<u>121,575</u>
Casa Foundation:		
Permanently Restricted Endowment	688,581	700,000
Net Assets with donor restrictions	<u>\$ 986,547</u>	<u>\$ 821,575</u>

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, 2022 and 2021, Casa contributed \$137,785 and \$152,755, respectively. These discretionary Casa contributions were approved by the Governing Board.

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

NOTE 11 - COMMITMENTS AND CONTINGENCIES

The Organization is sometimes involved in litigation and subject to claims in the normal course of operations. While it is not feasible to determine the outcome of this uncertainty, it is the opinion of management that the outcome will not have a materially adverse effect on the financial statements, results of operations or cash flow of the Organization.

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.