

CASA DE ESPERANZA DE LOS NIÑOS, INC.

Financial Statements

**For the Years Ended
December 31, 2020 and 2019**

(With Independent Auditor's Report Thereon)



**FRIERSON SOLÁ
SIMONTON KUTAC**

CASA DE ESPERANZA DE LOS NIÑOS, INC.

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INDEPENDENT AUDITOR'S REPORT



To the Governing Board of
Casa de Esperanza de los Niños, Inc.

Opinion

We have audited the accompanying financial statements of Casa de Esperanza de los Niños, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Casa de Esperanza de los Niños, Inc. as of December 31, 2020, 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 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.

Basis for Qualified Opinion

As explained in Note 1 to the financial statements, the Organization has excluded the Casa de Esperanza de los Niños Foundation related statements of financial position, activities and cash flows. In our opinion, accounting principles generally accepted in the United States of America require the combining of these organizations.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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.'s ability to continue as a going concern within one year after the date that the 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 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

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likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the 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 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 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.'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 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.'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.'s 2019 financial statements, and our report dated March 17, 2020, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Fruenson, Sala, Simonson & Kutac, PLLC

Houston, Texas
March 19, 2021

CASA DE ESPERANZA DE LOS NIÑOS, INC.
Statements of Financial Position
December 31, 2020 and 2019

	2020	2019
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 2,333,919	\$ 1,936,451
Contributions receivable	495,902	354,757
Prepaid expenses	61,729	44,515
Total Current Assets	2,891,550	2,335,723
Non-Current Assets		
Contributions receivable, long term	90,000	-
Investment in limited partnership	208,487	200,893
Property and equipment, net	2,822,724	2,947,238
Total Non-Current Assets	3,121,211	3,148,131
Total Assets	\$ 6,012,761	\$ 5,483,854
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 40,006	\$ 33,482
Accrued expenses	157,736	127,756
Total Current Liabilities	197,742	161,238
Net Assets		
Without donor restrictions	5,600,019	5,269,625
With donor restrictions	215,000	52,991
Total Net Assets	5,815,019	5,322,616
Total Liabilities and Net Assets	\$ 6,012,761	\$ 5,483,854

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

CASA DE ESPERANZA DE LOS NIÑOS, INC.
Statements of Activities for the Year Ended December 31, 2020
(with summarized financial information for the year ended December 31, 2019)

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total Funds	Combined Funds
REVENUE				
Contributions				
Foundations and grants	\$ 312,302	\$ 922,825	\$ 1,235,127	\$ 907,555
Individuals and estates	872,649	-	872,649	1,000,574
Institutions and corporations	216,240	144,230	360,470	534,078
Churches and religious organizations	20,531	39,500	60,031	118,109
Contributions	<u>1,421,722</u>	<u>1,106,555</u>	<u>2,528,277</u>	<u>2,560,316</u>
Special Events				
Special event revenue	1,162,308	-	1,162,308	931,995
Direct donor benefit costs	(4,813)	-	(4,813)	(120,337)
Special events	<u>1,157,495</u>	<u>-</u>	<u>1,157,495</u>	<u>811,658</u>
Investments and other income				
Investment returns, net	9,689	-	9,689	9,813
Gain on asset disposition	1,169	-	1,169	3,551
CARES Act PPP Loan Forgiveness	-	446,300	446,300	-
Funding from Casa Foundation	250,000	-	250,000	250,000
Satisfaction of Program Restrictions	1,390,846	(1,390,846)	-	-
TOTAL REVENUE	<u>4,230,921</u>	<u>162,009</u>	<u>4,392,930</u>	<u>3,635,338</u>
EXPENSE				
Program				
- Residential and Foster Care	2,575,279	-	2,575,279	2,670,527
- Family Support Services	324,742	-	324,742	407,741
- COVID-19	264,199	-	264,199	-
Program services	<u>3,164,220</u>	<u>-</u>	<u>3,164,220</u>	<u>3,078,268</u>
Management & General	299,405	-	299,405	302,885
Fundraising	436,902	-	436,902	434,699
TOTAL EXPENSE	<u>3,900,527</u>	<u>-</u>	<u>3,900,527</u>	<u>3,815,852</u>
TOTAL CHANGE IN NET ASSETS	330,394	162,009	492,403	(180,514)
NET ASSETS - BEGINNING OF YEAR	<u>5,269,625</u>	<u>52,991</u>	<u>5,322,616</u>	<u>5,503,130</u>
NET ASSETS - END OF YEAR	<u>\$ 5,600,019</u>	<u>\$ 215,000</u>	<u>\$ 5,815,019</u>	<u>\$ 5,322,616</u>

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

CASA DE ESPERANZA DE LOS NIÑOS, INC.
Statements of Functional Expenses
for the Year Ended December 31, 2020
(with summarized financial information for the year ended December 31, 2019)

	Residential and Foster Care		Family Support Services			COVID-19	Shared Program Expenses		Total Program Services	Management and General	Fundraising	2020 Total	2019 Total
	In-House Foster Care	Community Foster Care	After-Care and Outreach	Adoption Services	Post Adoption	Preparation & Assistance	Child Development	Casework Services					
Payroll, taxes and benefits	\$ 1,113,722	\$ 46,391	\$ 85,134	\$ 8,274	\$ 34,754	\$ 128,898	\$ 141,184	\$ 559,779	\$ 2,118,136	\$ 242,327	\$ 367,501	\$ 2,727,964	\$ 2,666,290
Food and household	48,577	986	-	-	-	9,202	620	2,553	61,938	51	1,748	63,737	79,080
Medical	4,168	802	-	-	-	5,874	-	-	10,844	-	-	10,844	11,436
Transportation	11,135	-	2,580	-	-	149	5	1,641	15,510	84	4	15,598	27,902
Utilities and telephone	71,724	3,452	1,460	-	918	34	1,061	13,594	92,243	1,358	2,895	96,496	103,365
Repairs and maintenance	159,897	8,556	1,985	-	618	19,607	1,985	55,536	248,184	2,790	21,386	272,360	198,417
Insurance	143,014	7,124	6,202	-	619	-	12,627	35,272	204,858	30,656	1,858	237,372	217,943
Office expenses	23,918	151	2,203	-	15	7,190	2,174	23,241	58,892	2,997	7,532	69,421	76,905
Newsletters, brochures and annual report	-	-	-	-	-	-	-	-	-	565	29,759	30,324	24,768
Education and daycare	-	9,795	-	-	-	1,420	-	-	11,215	-	-	11,215	14,430
Training and professional development	2,717	3,099	51	-	-	448	9	1,114	7,438	27	1,212	8,677	13,836
Professional fees	-	-	-	26,502	-	-	10,800	-	37,302	24,331	-	61,633	126,280
Records and testing fees	3,294	699	97	-	-	24	-	3,881	7,995	-	35	8,030	10,876
Outreach assistance and support	3,949	1,016	18,451	-	7,630	91,353	-	-	122,399	-	-	122,399	72,238
Depreciation	133,795	2,020	3,390	-	-	-	1,241	26,820	167,266	6,219	2,972	176,457	184,086
Administrative fees, charged to Foundation	-	-	-	-	-	-	-	-	-	(12,000)	-	(12,000)	(12,000)
Operating Expenses before program allocation	1,719,910	84,091	121,553	34,776	44,554	264,199	171,706	723,431	3,164,220	299,405	436,902	3,900,527	3,815,852
Program allocations	525,164	246,114	-	89,526	34,333	-	(171,706)	(723,431)	-	-	-	-	-
TOTAL OPERATING EXPENSES	\$ 2,245,074	\$ 330,205	\$ 121,553	\$ 124,302	\$ 78,887	\$ 264,199	\$ -	\$ -	\$ 3,164,220	\$ 299,405	\$ 436,902	\$ 3,900,527	\$ 3,815,852

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

CASA DE ESPERANZA DE LOS NIÑOS, INC.
Statements of Cash Flows for the Years Ended
December 31, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 492,403	\$ (180,514)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	176,457	184,086
Gain on asset disposition	(1,169)	(3,551)
Capital donations, in-kind	-	(36,195)
Limited partnership income	(7,594)	(3,219)
CARES Act PPP Loan - forgiveness granted	(446,300)	-
Changes in operating assets and liabilities:		
Contributions receivable	(231,145)	128,171
Prepaid expenses	(17,214)	52,631
Accounts payable	6,524	(16,020)
Accrued expenses	29,980	(11,799)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	1,942	113,590
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of fixed assets	2,520	5,550
Purchases of property and equipment	(53,294)	(55,074)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(50,774)	(49,524)
CASH FLOWS FROM FINANCING ACTIVITIES		
CARES Act PPP Loan - forgiveness granted	446,300	-
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	446,300	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	397,468	64,066
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,936,451	1,872,385
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 2,333,919	\$ 1,936,451

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

CASA DE ESPERANZA DE LOS NIÑOS, INC.
Notes to the Financial Statements
December 31, 2020

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, management prepares financial statements on both a combined basis, which are available in a separate report, and these financial statements for Casa as a standalone entity. By providing these financial statements on an individual basis, management believes that they are able to present a more concise and transparent assessment of the operations of their agency (see Note 10).

The following significant accounting policies are followed by Casa in the preparation of the accompanying financial statements:

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles

Net Asset Classification

Net assets and revenues, expenses, gains and losses 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.

Estimates

The preparation of 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.
Notes to the Financial Statements
December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Prior Year Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the organizations' combined financial statements for the year ended December 31, 2019, 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.

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

Contributions

Contributions are recorded as received, including unconditional promises to donate to Casa. 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 financial statements.

Contributed Services

Casa receives services of volunteers at no compensation, or compensation less than comparable market compensation. During 2020, approximately 398 volunteers contributed approximately 76,527 hours of service in connection with Casa or Foundation programs. During 2019, approximately 928 volunteers contributed approximately 120,830 hours of service in connection with Casa programs. The value of these contributed services is not recognized in the accompanying financial statements.

CASA DE ESPERANZA DE LOS NIÑOS, INC.
Notes to the Financial Statements
December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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.

Investment in Limited Partnership

In 1996, Casa was gifted a one-percent interest in a limited partnership. This partnership had an estimated value of \$208,487 and \$200,893 as of December 31, 2020 and 2019, respectively. The investment in limited partnership is carried at the estimated fair market value provided to Casa on the most recent partnership Schedule K-1.

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. Casa files a U.S. Federal Return of Organization Exempt From Income Tax (Form 990). Casa is not currently being audited by a tax authority and is no longer subject to U.S. federal, state, or local income tax examinations by tax authorities for years before 2017. If Casa was 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 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 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 March 19, 2021, which is the date that the 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.
Notes to the Financial Statements
December 31, 2020

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. As of December 31, 2020 and 2019, \$418,330 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 (FIGXX) 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, 2020, the balance in this account was \$550,061. 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, 2020 and 2019, Casa had contributions receivable totaling \$585,902 and \$354,757, respectively. The balance as of December 31, 2020, included \$90,000 in long-term receivable from one donor, which is scheduled for collection in 2022. Management believes that these receivables are fully collectible.

NOTE 4 - LIQUIDITY RESOURCES

As of December 31, 2020, Casa and the Foundation had financial assets without donor restrictions that are available for general expenditures as follows:

Operating cash	\$ 648,198
Money market, cash equivalents	1,685,721
Contributions receivable	585,902
Total financial assets	<u>\$ 2,919,821</u>
Less financial assets not available for general expenditure:	
Restricted by donor with purpose restrictions	<u>(215,000)</u>
Total financial assets available for general expenditures	<u><u>\$ 2,704,821</u></u>

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.

CASA DE ESPERANZA DE LOS NIÑOS, INC.
Notes to the Financial Statements
December 31, 2020

NOTE 5 - PROPERTY AND EQUIPMENT

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

	<u>2020</u>	<u>2019</u>
Land	\$ 542,645	\$ 542,645
Land improvements	365,395	365,395
Buildings and improvements	3,973,978	3,944,983
Software	32,160	56,002
Transportation equipment	542,886	569,897
Furniture and fixtures	650,609	627,170
Total property and equipment	6,107,673	6,106,092
Less accumulated depreciation	(3,284,949)	(3,158,854)
Property and equipment, net	<u>\$ 2,822,724</u>	<u>\$ 2,947,238</u>

Depreciation expense was \$176,457 and \$184,086 for the years ended December 31, 2020 and 2019, respectively.

NOTE 6 - NET ASSETS WITH DONOR RESTRICTIONS

Casa received \$1,106,555 and \$975,669 in contributions for restricted purposes during the years ended December 31, 2020 and 2019, respectively. All restricted gifts were used during the respective year for the restricted purpose except \$215,000 and \$52,991, respectively.

For the years ended December 31, 2020 and 2019, Casa received donations with the following restrictions:

	<u>2020</u>	<u>2019</u>
Donations restricted to expenditure for specified purpose:		
Residential Program	\$ 983,250	\$ 833,575
Community Foster Care Program	-	5,400
Aftercare and Outreach Program	8,000	100,250
COVID-19 Preparation and Relief Assistance	115,305	-
Capital donations	-	36,444
Total donations with donor restrictions	<u>\$ 1,106,555</u>	<u>\$ 975,669</u>

For the years ended December 31, 2020 and 2019, net assets with donor restrictions were restricted for these purposes:

	<u>2020</u>	<u>2019</u>
Casa Inc.:		
Residential Program	\$ 200,000	\$ 31,552
Community Foster Care Program	-	5,400
COVID-19 Preparation and Relief Assistance	10,000	-
Aftercare and Outreach Program	5,000	16,039
	<u>\$ 215,000</u>	<u>\$ 52,991</u>

CASA DE ESPERANZA DE LOS NIÑOS, INC.
Notes to the Financial Statements
December 31, 2020

NOTE 7 - FUNDRAISING

Casa held fundraising events during the years ended December 31, 2020 and 2019. In 2020, the Annual Gala event was cancelled due to the Coronavirus pandemic; however, substantially all donors chose to allow Casa to keep their gala payments and pledges as donations. Although the 2020 Annual Gala was cancelled, fundraising events in 2020 and 2019 generated donations of \$1,162,308 and \$931,995, respectively; and the direct costs associated with these events were \$4,813 and \$120,337, respectively.

NOTE 8 - 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. Effective January 1, 2020, the Plan was amended to include a discretionary partial match by Casa of employee 401(k) deferrals, in addition to the discretionary profit sharing contributions by Casa, elective employee 401(k) salary deferrals, and employee rollover contributions previously authorized under the Plan. Employees are eligible to participate in the 401(k) salary deferrals and rollover contributions immediately upon employment. The profit sharing and 401(k) match benefits are subject to eligibility and vesting requirements. After the January 2020 plan amendment, the allocation of the employer contribution for the profit sharing was changed to a computation based upon years of service and compensation, instead of the prior allocation based upon age, compensation and interest assumptions. For December 31, 2020 and 2019, the discretionary Casa contributions were approved by the Governing Board, and for 2020 the approved contribution amount was increased to allow for the added 401(k) match. For the years ended December 31, 2020 and 2019, Casa contributed \$152,261 and \$127,443, respectively. The investment of all plan contributions are participant directed.

NOTE 9 - 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 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. Due to the close affiliation of the two entities management prepares financial statements on both a combined basis, which are available in a separate report, and these financial statements for Casa as a standalone entity. By providing these financial statements for Casa on an individual basis, management believes that they are able to present a more concise and transparent assessment of the operations of Casa's agency (see Note 1).

CASA DE ESPERANZA DE LOS NIÑOS, INC.
Notes to the Financial Statements
December 31, 2020

NOTE 10 – RELATED PARTY TRANSACTIONS - continued

As of December 31, 2020 and 2019, the Foundation held assets totaling \$14,749,602 and \$13,726,710, respectively. Included within these totals are current assets of \$12,518,011 and \$10,809,472 for each of the above referenced years. These current assets include cash, investments and receivables, and can be requested by the Casa Governing Board at any time. The Foundation had \$1,531,591 in long-term certificates of deposit as of December 31, 2020, which are also available to Casa, less any early redemption penalty. The remaining \$700,000 in non-current assets at both December 31, 2020 and 2019, are funds that were permanently restricted by the donors, and are therefore maintained in an endowment fund. The earnings from this endowment fund are unrestricted as long as the corpus is maintained at the initial \$700,000 balance. The earnings are therefore available for use by Casa. Casa received \$250,000 from the Foundation in 2020 and in 2019.

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 organization.