

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

**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.**

**Table of Contents**

Independent Auditor’s Report.....	1
Financial Statements	
Statements of Financial Position .....	3
Statements of Activities .....	4
Statements of Functional Expenses .....	5
Statements of Cash Flows.....	6
Notes to the Financial Statements.....	7

## 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, 2021, 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, 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 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

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 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 2020 financial statements, and our report dated March 19, 2021, 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, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Houston, Texas

April 18, 2022

**CASA DE ESPERANZA DE LOS NIÑOS, INC.**  
**Statements of Financial Position**  
**December 31, 2021 and 2020**

	<b>2021</b>	<b>2020</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 2,276,790	\$ 2,333,919
Contributions receivable	521,838	495,902
Prepaid expenses	98,490	61,729
<b>Total Current Assets</b>	<b>2,897,118</b>	<b>2,891,550</b>
<b>Non-Current Assets</b>		
Contributions receivable, long term	-	90,000
Investment in limited partnership	211,595	208,487
Property and equipment, net	2,548,894	2,822,724
<b>Total Non-Current Assets</b>	<b>2,760,489</b>	<b>3,121,211</b>
<b>Total Assets</b>	<b>\$ 5,657,607</b>	<b>\$ 6,012,761</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 42,931	\$ 40,006
Accrued expenses	146,922	157,736
<b>Total Current Liabilities</b>	<b>189,853</b>	<b>197,742</b>
<b>Net Assets</b>		
Without donor restrictions	5,346,179	5,600,019
With donor restrictions	121,575	215,000
<b>Total Net Assets</b>	<b>5,467,754</b>	<b>5,815,019</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 5,657,607</b>	<b>\$ 6,012,761</b>

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

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total Funds	Combined Funds
<b>REVENUE</b>				
<b>Contributions</b>				
Foundations and grants	\$ 291,918	\$ 705,120	\$ 997,038	\$ 1,235,127
Individuals and estates	1,383,115	13,800	1,396,915	872,649
Institutions and corporations	107,361	270,750	378,111	360,470
Churches and religious organizations	29,000	20,000	49,000	60,031
Contributions	<u>1,811,394</u>	<u>1,009,670</u>	<u>2,821,064</u>	<u>2,528,277</u>
<b>Special Events</b>				
Special event revenue	745,404	-	745,404	1,162,308
Direct donor benefit costs	<u>(116,962)</u>	<u>-</u>	<u>(116,962)</u>	<u>(4,813)</u>
Special events	<u>628,442</u>	<u>-</u>	<u>628,442</u>	<u>1,157,495</u>
<b>Investments and other income</b>				
Investment returns, net	3,469	-	3,469	9,689
Gain on asset dispositions, net	584,408	-	584,408	1,169
CARES Act PPP loan forgiveness	-	-	-	446,300
Funding from Casa Foundation	250,000	-	250,000	250,000
Property sale proceeds to Casa Foundation	(698,000)		(698,000)	
Satisfaction of program restrictions	<u>1,103,095</u>	<u>(1,103,095)</u>	<u>-</u>	<u>-</u>
<b>TOTAL REVENUE</b>	<u>3,682,808</u>	<u>(93,425)</u>	<u>3,589,383</u>	<u>4,392,930</u>
<b>EXPENSE</b>				
Program				
- Residential and Foster Care	2,567,238	-	2,567,238	2,575,279
- Family Support Services and Covid assistance	<u>597,393</u>	<u>-</u>	<u>597,393</u>	<u>588,941</u>
Program services	<u>3,164,631</u>	<u>-</u>	<u>3,164,631</u>	<u>3,164,220</u>
Management and General	357,204	-	357,204	299,405
Fundraising	414,813	-	414,813	436,902
<b>TOTAL EXPENSE</b>	<u>3,936,648</u>	<u>-</u>	<u>3,936,648</u>	<u>3,900,527</u>
<b>TOTAL CHANGE IN NET ASSETS</b>	(253,840)	(93,425)	(347,265)	492,403
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>5,600,019</u>	<u>215,000</u>	<u>5,815,019</u>	<u>5,322,616</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 5,346,179</u>	<u>\$ 121,575</u>	<u>\$ 5,467,754</u>	<u>\$ 5,815,019</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, 2021**  
(with summarized financial information for the year ended December 31, 2020)

	Residential and Foster Care		Family Support Services			Shared Program Expenses		Total Program Services	Management and General	Fundraising	2021 Total	2020 Total
	In-House Foster Care	Community Foster Care	After-Care and Outreach	Adoption Services	Post Adoption	Child Development	Casework Services					
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)
<b>Operating Expenses before program allocation</b>	<b>1,709,106</b>	<b>99,810</b>	<b>269,745</b>	<b>63,279</b>	<b>138,899</b>	<b>185,454</b>	<b>698,338</b>	<b>3,164,631</b>	<b>357,204</b>	<b>414,813</b>	<b>3,936,648</b>	<b>3,900,527</b>
Program allocations	475,726	282,596	-	88,379	37,091	(185,454)	(698,338)	-	-	-	-	-
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 2,184,832</b>	<b>\$ 382,406</b>	<b>\$ 269,745</b>	<b>\$ 151,658</b>	<b>\$ 175,990</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,164,631</b>	<b>\$ 357,204</b>	<b>\$ 414,813</b>	<b>\$ 3,936,648</b>	<b>\$ 3,900,527</b>

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, 2021 and 2020**

	<b>2021</b>	<b>2020</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (347,265)	\$ 492,403
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	166,815	176,457
Gain on asset disposition	(584,408)	(1,169)
Limited partnership income	(3,108)	(7,594)
Net proceeds from property sale transferred to Casa Foundation	698,000	-
CARES Act PPP Loan - forgiveness granted	-	(446,300)
Changes in operating assets and liabilities:		
Contributions receivable	64,064	(231,145)
Prepaid expenses	(36,761)	(17,214)
Accounts payable	2,925	6,524
Accrued expenses	(10,814)	29,980
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>(50,552)</b>	<b>1,942</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of fixed assets	726,063	2,520
Purchases of property and equipment	(34,640)	(53,294)
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>691,423</b>	<b>(50,774)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net proceeds from property sale transferred to Casa Foundation	(698,000)	-
CARES Act PPP Loan - forgiveness granted	-	446,300
<b>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</b>	<b>(698,000)</b>	<b>446,300</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(57,129)</b>	<b>397,468</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>2,333,919</b>	<b>1,936,451</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 2,276,790</b>	<b>\$ 2,333,919</b>

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, 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, 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 in the United States of America.

**Net Asset Classification**

Contributions, other revenues, expenses, gains and losses 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.**  
**Notes to the Financial Statements**  
**December 31, 2021**

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

**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.

**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, 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.

**Property and Equipment**

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

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

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

**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.

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

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

**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 programs. The value of these contributed services is not recognized in the accompanying 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.

**Investment in 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. 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 2018. 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 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.

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

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

**Subsequent Events**

Management has evaluated subsequent events through April 18, 2022, 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.

**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 \$418,330 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. Management believes that these receivables are fully collectible.

**NOTE 4 - LIQUIDITY RESOURCES**

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

Operating cash	\$ 368,593
Money market, cash equivalents	1,908,197
Contributions receivable	521,838
Total financial assets	<u>\$ 2,798,628</u>
Restricted by donor with purpose restrictions	(121,575)
Total financial assets available for general expenditures	<u><u>\$ 2,677,053</u></u>

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

**NOTE 4 - LIQUIDITY RESOURCES – continued**

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 5 - PROPERTY AND EQUIPMENT**

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

	<u>2021</u>	<u>2020</u>
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	<u>\$ 2,548,894</u>	<u>\$ 2,822,724</u>

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

**NOTE 6 - 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:

	<u>2021</u>	<u>2020</u>
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>

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

**NOTE 6 - NET ASSETS WITH DONOR RESTRICTIONS – continued**

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

	<u>2021</u>	<u>2020</u>
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>

**NOTE 7 - 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 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. 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 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.

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

**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).

As of December 31, 2021 and 2020, the Foundation held assets totaling \$17,681,541 and \$14,749,602, respectively. Included within these totals are current assets of \$15,973,813 and \$12,518,011 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 \$1,007,728 in long-term certificates of deposit as of December 31, 2021, which are also available to Casa, less any early redemption penalty. The remaining \$700,000 in non-current assets at both December 31, 2021 and 2020, 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 2021 and in 2020. 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 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.