

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

**CASA DE ESPERANZA
DE LOS NIÑOS FOUNDATION**

Combined Financial Statements

**For the Years Ended
December 31, 2023 and 2022**

(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, 2023, 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, 2023, 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 2022 combined financial statements, and our report dated April 30, 2023, 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, 2022, is consistent, in all material respects, with the audited combined financial statements from which it has been derived.



Houston, Texas

April 26, 2024

CASA DE ESPERANZA DE LOS NIÑOS, INC.
CASA DE ESPERANZA DE LOS NIÑOS FOUNDATION
Combined Statements of Financial Position
December 31, 2023
(with summarized financial information as of December 31, 2022)

	<u>Casa Inc.</u>	<u>Casa Foundation</u>	<u>Combined Funds</u>	
	<u>2023</u>		<u>2023</u>	<u>2022</u>
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 659,537	\$ 330	\$ 659,867	\$ 1,111,711
Contributions receivable	170,979	-	170,979	281,493
Prepaid expenses	218,248	-	218,248	95,910
Investments	-	16,899,550	16,899,550	15,407,763
Casa Foundation due to Casa Inc.	635,865	(635,865)	-	-
Total Current Assets	<u>1,684,629</u>	<u>16,264,015</u>	<u>17,948,644</u>	<u>16,896,877</u>
Non-Current Assets				
Contributions receivable, long-term	9,000	-	9,000	-
Property and equipment, net	2,757,717	-	2,757,717	2,768,097
Investment in limited partnership	242,249	-	242,249	227,492
Investments, endowment fund	-	700,000	700,000	688,581
Total Non-Current Assets	<u>3,008,966</u>	<u>700,000</u>	<u>3,708,966</u>	<u>3,684,170</u>
Total Assets	<u>\$ 4,693,595</u>	<u>\$ 16,964,015</u>	<u>\$ 21,657,610</u>	<u>\$ 20,581,047</u>
LIABILITIES AND NET ASSETS				
Current Liabilities				
Accounts payable	\$ 46,602	\$ -	\$ 46,602	\$ 29,964
Accrued expenses	343,282	-	343,282	135,556
Deferred revenue	254,500	-	254,500	-
Total Current Liabilities	<u>644,384</u>	<u>-</u>	<u>644,384</u>	<u>165,520</u>
Net Assets				
Without donor restrictions	3,771,410	16,264,015	20,035,425	19,428,980
With donor restrictions	277,801	700,000	977,801	986,547
Total Net Assets	<u>4,049,211</u>	<u>16,964,015</u>	<u>21,013,226</u>	<u>20,415,527</u>
Total Liabilities and Net Assets	<u>\$ 4,693,595</u>	<u>\$ 16,964,015</u>	<u>\$ 21,657,610</u>	<u>\$ 20,581,047</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, 2023
(with summarized financial information for the year ended December 31, 2022)

	CASA DE ESPERANZA DE LOS NIÑOS, INC.			CASA DE ESPERANZA DE LOS NIÑOS FOUNDATION			2023	2022
	2023			2023				
	Without Donor Restrictions	With Donor Restrictions	Total Funds	Without Donor Restrictions	With Donor Restrictions	Total Funds		
REVENUE								
Contributions								
Foundations and grants	\$ 377,295	\$ 429,150	\$ 806,445	\$ -	\$ -	\$ -	\$ 806,445	\$ 1,192,803
Individuals and estates	819,200	350	819,550	-	-	-	819,550	1,827,357
Institutions and corporations	282,885	130,000	412,885	-	-	-	412,885	329,041
Churches and religious organizations	47,024	28,570	75,594	-	-	-	75,594	56,513
Contributions	1,526,404	588,070	2,114,474	-	-	-	2,114,474	3,405,714
Special Events								
Special event revenue	481,484	-	481,484	-	-	-	481,484	735,912
Direct donor benefit costs	(133,611)	-	(133,611)	-	-	-	(133,611)	(181,073)
Special events	347,873	-	347,873	-	-	-	347,873	554,839
Investments and Other Income								
Investment returns, net	26,678	-	26,678	2,575,592	11,419	2,587,011	2,613,689	(2,498,283)
Gain (loss) on asset disposition	6,998	-	6,998	-	-	-	6,998	(23,996)
Funding from Casa Foundation	1,117,000	-	1,117,000	(1,117,000)	-	(1,117,000)	-	-
Satisfaction of program restrictions	608,235	(608,235)	-	-	-	-	-	-
TOTAL REVENUE	3,633,188	(20,165)	3,613,023	1,458,592	11,419	1,470,011	5,083,034	1,438,274
EXPENSE								
Program								
Residential and Foster Care	2,254,506	-	2,254,506	-	-	-	2,254,506	2,222,297
Family Support Services	988,719	-	988,719	-	-	-	988,719	1,022,596
Program services	3,243,225	-	3,243,225	-	-	-	3,243,225	3,244,893
Management & General	612,746	-	612,746	18,864	-	18,864	631,610	444,701
Fundraising	610,500	-	610,500	-	-	-	610,500	482,448
TOTAL EXPENSE	4,466,471	-	4,466,471	18,864	-	18,864	4,485,335	4,172,042
TOTAL CHANGE IN NET ASSETS	(833,283)	(20,165)	(853,448)	1,439,728	11,419	1,451,147	597,699	(2,733,768)
NET ASSETS - BEGINNING OF YEAR	4,604,693	297,966	4,902,659	14,824,287	688,581	15,512,868	20,415,527	23,149,295
NET ASSETS - END OF YEAR	\$ 3,771,410	\$ 277,801	\$ 4,049,211	\$ 16,264,015	\$ 700,000	\$ 16,964,015	\$ 21,013,226	\$ 20,415,527

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, 2023
(with summarized financial information for the year ended December 31, 2022)

	Residential and Foster Care		Family Support Services				Shared Program Expenses			Total Program Services	Management and General	Fundraising	2023 Total	2022 Total
	In-House Foster Care	Community Foster Care	Birth Parent Assistance	After-Care and Outreach	Adoption Services	Post Permanency	Casework Services	Outreach	Compliance					
Payroll, taxes and benefits	\$ 951,284	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 994,842	\$ 78,108	\$ 98,158	\$ 2,122,392	\$ 392,535	\$ 486,105	\$ 3,001,032	\$ 2,896,980
Insurance	173,135	5,814	2,019	6,047	-	253	76,228	-	-	263,496	39,330	6,789	309,615	284,083
Repairs and maintenance	221,494	2,044	3,312	3,512	-	414	64,804	-	-	295,580	17,378	36,785	349,743	279,991
Depreciation	171,370	-	-	264	-	-	27,996	264	264	200,158	5,059	5,371	210,588	168,581
Professional fees	375	9,715	-	-	19,587	206	2,600	-	-	32,483	139,392	20,000	191,875	158,217
Utilities and telephone	62,875	88	709	709	-	89	11,087	402	307	76,266	8,221	7,554	92,041	97,031
Outreach assistance and support	1,026	534	2,298	35,280	-	40,849	-	-	-	79,987	-	-	79,987	49,055
Office expenses	35,821	-	-	-	-	-	42,095	7,413	-	85,329	13,447	11,578	110,354	92,910
Food and household	38,004	137	-	1,071	-	141	6,832	424	-	46,609	1,005	2,209	49,823	45,064
Newsletters, brochures and annual report	-	-	-	-	-	-	-	2,613	-	2,613	488	28,501	31,602	27,792
Education and daycare	-	1,440	-	-	-	-	-	-	-	1,440	-	-	1,440	23,416
Transportation	7,982	-	-	-	-	-	4,394	224	-	12,600	379	80	13,059	21,488
Training and professional development	3,093	20	-	-	-	400	11,684	865	144	16,206	9,138	5,248	30,592	14,991
Records and testing fees	81	-	572	-	-	-	1,816	-	-	2,469	-	-	2,469	3,767
Medical	5,121	-	-	-	-	-	476	-	-	5,597	589	280	6,466	3,825
Administrative fees, charged to Foundation	-	-	-	-	-	-	-	-	-	-	(14,215)	-	(14,215)	(12,000)
Operating Expenses before program allocation	1,671,661	19,792	8,910	46,883	19,587	42,352	1,244,854	90,313	98,873	3,243,225	612,746	610,500	4,466,471	4,155,191
Program allocations	279,078	283,975	274,943	403,384	64,220	128,440	(1,244,854)	(90,313)	(98,873)	-	-	-	-	-
TOTAL OPERATING EXPENSES	\$ 1,950,739	\$ 303,767	283,853	\$ 450,267	\$ 83,807	\$ 170,792	\$ -	\$ -	\$ -	\$ 3,243,225	\$ 612,746	\$ 610,500	\$ 4,466,471	\$ 4,155,191

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, 2023
(with summarized financial information for the year ended December 31, 2022)

	<u>Casa Inc.</u>	<u>Casa Foundation</u>	<u>Combined Funds</u>	
	<u>2023</u>		<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Change in net assets	\$ (853,448)	\$ 1,451,147	\$ 597,699	\$ (2,733,768)
Adjustments to reconcile change in net assets to net cash from operating activities:				
Net realized and unrealized (gain) losses on investments	-	(2,332,472)	(2,332,472)	2,702,652
Stock contribution	-	-	-	(200,796)
Limited partnership income	(14,757)	-	(14,757)	(15,897)
Depreciation	210,588	-	210,588	168,581
Loss (Gain) on asset disposition	(6,998)	-	(6,998)	23,996
Changes in operating assets and liabilities:				
Contributions receivable	101,514	-	101,514	240,346
Prepaid expenses	(122,338)	-	(122,338)	2,580
Accounts payable	16,638	-	16,638	(12,967)
Accrued expenses	207,726	-	207,726	(11,367)
Deferred Revenue	254,500	-	254,500	-
Casa Foundation payable increase to Casa Inc.	(252,855)	252,855	-	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(459,430)</u>	<u>(628,470)</u>	<u>(1,087,900)</u>	<u>163,360</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment purchases	-	(4,823,549)	(4,823,549)	(12,465,419)
Proceeds from sale of investments	200,796	5,452,019	5,652,815	11,548,430
Proceeds from sale of fixed assets	8,500	-	8,500	29,000
Purchases of property and equipment	(201,710)	-	(201,710)	(440,780)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>7,586</u>	<u>628,470</u>	<u>636,056</u>	<u>(1,328,769)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(451,844)	-	(451,844)	(1,165,409)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,111,381</u>	<u>330</u>	<u>1,111,711</u>	<u>2,277,120</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 659,537</u>	<u>\$ 330</u>	<u>\$ 659,867</u>	<u>\$ 1,111,711</u>
SUPPLEMENTAL DISCLOSURE :				
Interest paid	<u>\$ 6,483</u>	<u>\$ -</u>	<u>\$ 6,483</u>	<u>\$ -</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, 2023

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 for children ages birth through six and family support services designed to strengthen families and provide permanency for children. 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 Case Management, After Care, Post Permanency, Prevention Services, as well as Volunteer and Program Support services. 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 (US GAAP).

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, 2023**

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 US GAAP. Accordingly, such information should be read in conjunction with the Organizations' combined financial statements for the year ended December 31, 2022, 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 US GAAP 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, 2023**

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 donors. 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 2023, approximately 597 volunteers contributed approximately 60,000 hours of service in connection with Casa or Foundation programs. During 2022, approximately 554 volunteers contributed approximately 90,582 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 2023 and 2022, 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, 2023**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Subsequent Events

Management has evaluated subsequent events through April 26, 2024, 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 2020. If Casa or the Foundation were under tax examination, management does not anticipate a material change in its financial position or tax-exempt status.

NOTE 2 - CASH AND CASH EQUIVALENTS

Insured Cash Sweep

Casa participates in an Insured Cash Sweep (ICS) program through the financial institution that maintains Casa's operating cash account. Through this ICS program funds in excess of the daily operating needs are transferred into deposit accounts at other financial institutions 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, \$188,691 of cash and cash equivalents were comprised of assets maintained in the ICS program. During the year ended December 31, 2023, management decided not to participate in the ICS program.

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, 2023 and 2022, the balances in these accounts were \$85,669 and \$117,975, respectively. 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, 2023 and 2022, Casa had short-term contributions receivable totaling \$170,979 and \$281,493, respectively. As of December 31, 2023, Casa had long-term contributions receivable totaling \$9,000. Management has considered historical information, current and future economic conditions, and events. After these considerations, management believes that these receivables are fully collectible and there are no expected credit losses.

The Foundation had no contributions receivable as of December 31, 2023 and 2022.

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NOTE 4 - LIQUIDITY RESOURCES

As of December 31, 2023, Casa and the Foundation had financial assets without donor restrictions that are available for general expenditures as follows:

	<u>Casa</u>	<u>Foundation</u>	<u>Combined</u>
Operating cash	\$ 222,528	\$ 330	\$ 222,858
Money market, cash equivalents	437,009	-	437,009
Contributions receivable	170,979	-	170,979
Due to/from Casa/Casa Foundation	635,865	(635,865)	-
Investments (See Note 6)	-	17,599,550	17,599,550
Total financial assets	<u>\$ 1,466,381</u>	<u>\$ 16,964,015</u>	<u>\$ 18,430,396</u>
Less financial assets not available for general expenditure:			
Restricted by donor with purpose restrictions	(277,801)	-	(277,801)
Permanently restricted endowment funds	-	(700,000)	(700,000)
Total financial assets available for general expenditures	<u>\$ 1,188,580</u>	<u>\$ 16,264,015</u>	<u>\$ 17,452,595</u>

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 \$375,000 per month. Casa has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 5 - PROPERTY AND EQUIPMENT

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

	<u>2023</u>	<u>2022</u>
Land	\$ 503,955	\$ 503,955
Land improvements	846,156	764,854
Buildings and improvements	3,687,097	3,593,097
Software	33,379	33,379
Transportation equipment	306,289	335,837
Furniture and fixtures	615,940	601,362
Total property and equipment	<u>5,992,816</u>	<u>5,832,484</u>
Less accumulated depreciation	<u>(3,235,099)</u>	<u>(3,064,387)</u>
Property and equipment, net	<u>\$ 2,757,717</u>	<u>\$ 2,768,097</u>

Depreciation expense was \$210,588 and \$168,581 for the years ended December 31, 2023 and 2022, respectively.

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NOTE 6 - INVESTMENTS

Investments

The Board of Trustees of the Foundation (Foundation Trustees) select investment managers to manage all or a portion of the Foundation's assets. The investment managers employ a strategy that emphasizes a balanced return, relying on both current income and growth of principal from capital appreciation, dividends, and interest income. The Foundation's investments are primarily maintained in separately managed accounts, which allow for a more direct and transparent compliance with the Foundation's Investment Policy Statement. These accounts hold individual securities and are priced daily. The investment return is reported in the Combined Statements of Activities as an increase in net assets without donor restrictions unless the use of the income is limited by donor-imposed restrictions.

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.

The Financial Accounting Standards Board (FASB) provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under this framework are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the organization has the ability to access.

Level 2 Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quotes prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level with the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

In regard to the classification of investment options, there were no reclassifications in or out of levels 1, 2, or 3 during the years ended December 31, 2023 and 2022.

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NOTE 6 - INVESTMENTS - continued

The following table sets forth by level, within the fair value hierarchy, Casa's investments at fair value:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>December 31, 2023</u>				
Limited Partnership	\$ 242,249	\$ -	\$ -	\$ 242,249
Total investments	<u>\$ 242,249</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 242,249</u>
<u>December 31, 2022</u>				
Corporate Stock	\$ 200,796	\$ 200,796	\$ -	\$ -
Limited Partnership	227,492	-	-	227,492
Total investments	<u>\$ 428,288</u>	<u>\$ 200,796</u>	<u>\$ -</u>	<u>\$ 227,492</u>

Limited Partnership

In 1996, Casa was gifted a one-percent interest in a limited partnership. This partnership had an estimated value of \$242,249 and \$227,492 as of December 31, 2023 and 2022, respectively. Casa Inc.'s investment is considered a Level 3 investment, as the measurement date valuation is derived from the December 31, 2022 IRS Schedule K-1. The limited partnership did not have a cash or other asset distribution for the years ended December 31, 2023 and 2022. Management determined the level 3 valuation is conservative and below confirmed fair value received by other partners in the limited partnership.

The following table sets forth by level, within the fair value hierarchy, the Foundation's investments at fair value:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>December 31, 2023</u>				
Cash or Cash Equivalent	\$ 475,347	\$ 475,347	\$ -	\$ -
Bond Mutual Funds	2,021,109	2,021,109	-	-
U S Treasury Bonds	1,234,979	1,234,979	-	-
Corporate Bonds	1,482,116	1,482,116	-	-
Corporate Stocks	6,683,087	6,683,087	-	-
Real Estate Inv Trust	10,470	10,470	-	-
Exchange-Traded Funds	5,692,442	5,692,442	-	-
Total investments	<u>\$ 17,599,550</u>	<u>\$ 17,599,550</u>	<u>\$ -</u>	<u>\$ -</u>
<u>December 31, 2022</u>				
Cash or Cash Equivalent	\$ 2,282,778	\$ 2,282,778	\$ -	\$ -
Bond Mutual Funds	1,297,773	1,297,773	-	-
U S Treasury Bonds	1,421,466	1,421,466	-	-
Corporate Bonds	821,865	821,865	-	-
Corporate Stocks	5,392,862	5,392,862	-	-
Real Estate Inv Trust	86,641	86,641	-	-
Exchange-Traded Funds	4,592,163	4,592,163	-	-
Total investments	<u>\$ 15,895,548</u>	<u>\$ 15,895,548</u>	<u>\$ -</u>	<u>\$ -</u>

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NOTE 6 - INVESTMENTS - continued

There have been no changes in the methodology used as of December 31, 2023 and 2022.

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. As of December 31, 2023, the fair market value returned to the \$700,000 corpus.

Concentrations of credit risk

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

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

NOTE 7 - RELATED PARTY TRANSACTIONS

As stated in Note 1, the Foundation was created to support Casa's purpose and to develop an endowment fund to sustain Casa's mission. In both 2023 and 2022, Casa received two types of funding from Casa Foundation, the general funding, and the annual appeal match. The annual appeal match was made possible by a \$1 million donation that Casa Foundation received in 2022 in support of the Casa annual appeal program, Triple the Hope.

As of December 31, 2023 and 2022, Casa had receivables balance of \$635,865 and \$383,010 from Casa Foundation primarily related to the Triple the Hope match. Included in the receivables balance are \$18,865 and \$10 related to administrative services provided by Casa not reimbursed by year-end. The funding Casa Inc. received from Casa Foundation were made up of the following sources:

	<u>2023</u>	<u>2022</u>
General funding	\$ 500,000	\$ 250,000
Triple the Hope funding	617,000	383,000
Foundation Funding to Casa Inc.	<u>\$ 1,117,000</u>	<u>\$ 633,000</u>

The general funding amounts of \$500,000 and \$250,000 were received during the years ended December 31, 2023 and 2022, respectively. The 2023 Triple the Hope match, \$617,000, was accrued as of December 31, 2023, increasing the funding from Casa Foundation to \$1,117,000. The 2022 Triple the Hope match, \$383,000, was accrued as of December 31, 2022, increasing the funding from Casa Foundation to \$633,000 for the year ended December 31, 2022. Casa received the funding for the 2022 Triple the Hope match of \$383,000 during the year ended December 31, 2023.

**CASA DE ESPERANZA DE LOS NIÑOS, INC.
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NOTE 8 – FUNDRAISING

Casa held fundraising events during the years ended December 31, 2023 and 2022. These events generated donations of \$481,484 and \$735,912 with the direct costs of \$133,611 and \$181,073 for the years ended December 31, 2023 and 2022, respectively.

During the year ended December 31, 2023, Casa Inc. changed its policy for reporting fundraising revenue and expenses in accordance with US GAAP. Specifically, recognizing special event revenue and expenses for the 2024 Gala on an accrual basis. This change defers special event revenue and expenses received and paid in 2023 to be recognized in the 2023 combined statements of financial position as a \$59,171 prepaid expense and \$254,500 in deferred revenue. The revenue and expense will be recognized as fundraising event net income of \$195,329 in the year ending December 31, 2024. This change in accounting policy is aimed at enhancing the accuracy and transparency of financial reporting.

NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS

Casa received \$588,070 and \$1,117,695 in contributions for restricted purposes during the years ended December 31, 2023 and 2022, respectively. All restricted gifts were used during the respective year for the restricted purpose except \$277,801 and \$297,966, respectively. For the years ended December 31, 2023 and 2022, Casa received donations with the following donor restrictions:

	<u>2023</u>	<u>2022</u>
Foster Care – Residential	\$ 539,720	\$ 799,000
Foster Care – Community	-	38,695
Foster Care and Family Support Services	37,500	-
Family Support Services – After-Care	8,000	30,000
Family Support Services – Casework	-	150,000
Family Support Services – Post Permanency	-	100,000
Administrative	2,850	-
Net Assets with donor restrictions	<u>\$ 588,070</u>	<u>\$ 1,117,695</u>

For the years ended December 31, 2023 and 2022, net assets with donor restrictions were restricted for these purposes:

	<u>2023</u>	<u>2022</u>
Casa Inc.:		
Foster Care – Residential	\$ 209,051	\$ 179,466
Family Support Services – After-Care	2,500	-
Family Support Services – Casework	-	30,000
Family Support Services – Post Permanency	63,750	88,500
Administrative	2,500	-
	<u>277,801</u>	<u>297,966</u>
Casa Foundation:		
Permanently Restricted Endowment	700,000	688,581
Net Assets with donor restrictions	<u>\$ 977,801</u>	<u>\$ 986,547</u>

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NOTE 10 - EMPLOYEE RETIREMENT PLAN

The Casa de Esperanza Employee Retirement Plan (the Plan) is a defined contribution retirement plan, which covers substantially all the employees of Casa. The Plan authorizes an employee elective 401(k) salary deferral and employee rollover contributions. Employees are eligible to participate in the 401(k) salary deferrals and rollover contributions immediately upon employment.

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

For the years ended December 31, 2023 and 2022, Casa contributed \$138,472 and \$137,785, respectively. These discretionary Casa contributions were approved by the Governing Board.

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

NOTE 11 - NEW ACCOUNTING PRONOUNCEMENTS

The management considers the applicability and impact of all accounting standards updates (ASU's) issued by the FASB. ASUs 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.