

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

**CASA DE ESPERANZA
DE LOS NIÑOS FOUNDATION**

Combined Financial Statements

**For the Years Ended
December 31, 2025 and 2024**

(With Independent Auditor's Report Thereon)



**FRIERSON
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, 2025, 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, 2025, 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 2024 combined financial statements, and our report dated April 28, 2025, 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, 2024, is consistent, in all material respects, with the audited combined financial statements from which it has been derived.

Fruison Simonsen & Kutac PLLC

Houston, Texas

April 29, 2026

CASA DE ESPERANZA DE LOS NIÑOS, INC.
CASA DE ESPERANZA DE LOS NIÑOS FOUNDATION
Combined Statements of Financial Position
December 31, 2025
(with summarized financial information as of December 31, 2024)

	<u>Casa Inc.</u>	<u>Casa Foundation</u>	<u>Combined Funds</u>	
	<u>2025</u>		<u>2025</u>	<u>2024</u>
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 637,436	\$ 330	\$ 637,766	\$ 423,096
Contributions receivable	114,504	-	114,504	556,654
Prepaid expenses	247,597	-	247,597	295,135
Investments	-	18,862,139	18,862,139	17,296,709
Casa Foundation due to Casa Inc.	288,919	(288,919)	-	-
Total Current Assets	<u>1,288,456</u>	<u>18,573,550</u>	<u>19,862,006</u>	<u>18,571,594</u>
Non-Current Assets				
Contributions receivable, long-term	7,500	-	7,500	-
Property and equipment, net	2,810,521	-	2,810,521	2,869,709
Investment in limited partnership	278,146	-	278,146	258,682
Investments, endowment fund	-	700,000	700,000	699,810
Total Non-Current Assets	<u>3,096,167</u>	<u>700,000</u>	<u>3,796,167</u>	<u>3,828,201</u>
Total Assets	<u>\$ 4,384,623</u>	<u>\$ 19,273,550</u>	<u>\$ 23,658,173</u>	<u>\$ 22,399,795</u>
LIABILITIES AND NET ASSETS				
Current Liabilities				
Accounts payable	\$ 67,740	\$ -	\$ 67,740	\$ 93,744
Accrued expenses	405,098	-	405,098	371,090
Deferred revenue	177,200	-	177,200	216,200
Total Current Liabilities	<u>650,038</u>	<u>-</u>	<u>650,038</u>	<u>681,034</u>
Net Assets				
Without donor restrictions	3,619,123	18,573,550	22,192,673	20,681,846
With donor restrictions	115,462	700,000	815,462	1,036,915
Total Net Assets	<u>3,734,585</u>	<u>19,273,550</u>	<u>23,008,135</u>	<u>21,718,761</u>
Total Liabilities and Net Assets	<u>\$ 4,384,623</u>	<u>\$ 19,273,550</u>	<u>\$ 23,658,173</u>	<u>\$ 22,399,795</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, 2025
(with summarized financial information for the year ended December 31, 2024)

	CASA DE ESPERANZA DE LOS NIÑOS, INC.			CASA DE ESPERANZA DE LOS NIÑOS FOUNDATION			2025	2024
	2025			2025				
	Without Donor Restrictions	With Donor Restrictions	Total Funds	Without Donor Restrictions	With Donor Restrictions	Total Funds		
REVENUE								
Contributions								
Foundations and grants	\$ 393,203	\$ 449,710	\$ 842,913	\$ -	\$ -	\$ -	\$ 842,913	\$ 1,128,902
Individuals and estates	1,151,049	15,985	1,167,034	-	-	-	1,167,034	803,986
Institutions and corporations	238,602	150,531	389,133	-	-	-	389,133	413,228
Churches and religious organizations	30,416	20,000	50,416	-	-	-	50,416	42,009
Contributions	<u>1,813,270</u>	<u>636,226</u>	<u>2,449,496</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,449,496</u>	<u>2,388,125</u>
Special Events								
Special event revenue	704,815	-	704,815	-	-	-	704,815	734,185
Direct donor benefit costs	(140,915)	-	(140,915)	-	-	-	(140,915)	(143,494)
Special events	<u>563,900</u>	<u>-</u>	<u>563,900</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>563,900</u>	<u>590,691</u>
Investments and Other Income								
Investment returns, net	34,877	-	34,877	2,350,576	98,521	2,449,097	2,483,974	1,955,154
Other income	22,121	-	22,121	-	-	-	22,121	14,247
Funding from Casa Foundation	1,141,405	-	1,141,405	(1,141,405)	-	(1,141,405)	-	-
Casa Foundation restricted funds transferred	-	-	-	95,742	(95,742)	-	-	-
Satisfaction of program/donor restrictions	857,869	(857,869)	-	2,589	(2,589)	-	-	-
TOTAL REVENUE	<u>4,433,442</u>	<u>(221,643)</u>	<u>4,211,799</u>	<u>1,307,502</u>	<u>190</u>	<u>1,307,692</u>	<u>5,519,491</u>	<u>4,948,217</u>
EXPENSE								
Program								
Residential and Foster Care	2,068,545	-	2,068,545	-	-	-	2,068,545	2,115,240
Family Support Services	577,271	-	577,271	-	-	-	577,271	627,432
Outreach	129,161	-	129,161	-	-	-	129,161	122,527
Compliance	57,452	-	57,452	-	-	-	57,452	64,891
Program services	<u>2,832,429</u>	<u>-</u>	<u>2,832,429</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,832,429</u>	<u>2,930,090</u>
Management & General								
Management & General	826,516	-	826,516	18,318	-	18,318	844,834	851,136
Fundraising	552,854	-	552,854	-	-	-	552,854	461,456
TOTAL EXPENSE	<u>4,211,799</u>	<u>-</u>	<u>4,211,799</u>	<u>18,318</u>	<u>-</u>	<u>18,318</u>	<u>4,230,117</u>	<u>4,242,682</u>
TOTAL CHANGE IN NET ASSETS	221,643	(221,643)	-	1,289,184	190	1,289,374	1,289,374	705,535
NET ASSETS - BEGINNING OF YEAR	3,397,480	337,105	3,734,585	17,284,366	699,810	17,984,176	21,718,761	21,013,226
NET ASSETS - END OF YEAR	<u>\$ 3,619,123</u>	<u>\$ 115,462</u>	<u>\$ 3,734,585</u>	<u>\$ 18,573,550</u>	<u>\$ 700,000</u>	<u>\$ 19,273,550</u>	<u>\$ 23,008,135</u>	<u>\$ 21,718,761</u>

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, 2025
(with summarized financial information for the year ended December 31, 2024)

	Residential and Foster Care		Family Support Services							Total Program Services	Management and General	Fundraising	2025 Total	2024 Total
	Residential		Birth Parent Assistance	After-Care	Adoption Services	Post Permanency	Prevention Services	Outreach	Compliance					
	In-House Foster Care	Community Foster Care												
Payroll, taxes and benefits	\$ 1,104,270	\$ 67,640	\$ 101,792	\$ 182,964	\$ 18,092	\$ 62,662	\$ 34,159	\$ 117,316	\$ 52,086	\$ 1,740,981	\$ 430,107	\$ 385,345	\$ 2,556,433	\$ 2,685,379
Insurance	230,490	11,743	12,193	16,600	1,020	2,536	2,631	8,337	2,473	288,023	37,128	32,312	357,463	315,736
Repairs and maintenance	130,993	1,369	1,527	2,281	144	328	386	711	328	138,067	6,019	6,577	150,663	229,928
Depreciation	191,101	2,035	4,502	4,375	173	678	1,065	376	771	205,076	13,363	1,808	220,247	202,894
Independent contractors & services	166,216	9,215	3,563	5,002	38,426	771	523	1,032	492	225,240	281,425	56,679	563,344	429,899
Utilities and telephone	87,240	1,760	4,088	3,775	123	920	850	627	851	100,234	6,993	7,336	114,563	103,382
Outreach assistance and support	12,477	1,844	2,124	18,062	1,438	33,330	24	-	-	69,299	-	-	69,299	64,058
Office expenses	2,569	84	393	823	-	142	53	56	16	4,136	49,427	44,922	98,485	75,197
Meeting expenses	1,318	12	20	223	165	-	-	17	-	1,755	6,297	3,564	11,616	11,853
Food and household	24,702	343	179	7,006	-	-	120	-	-	32,350	3	-	32,353	46,630
Newsletters, brochures and annual report	-	-	-	35	-	-	-	689	-	724	833	1,351	2,908	5,122
Education and daycare	-	4,509	2,850	400	-	-	-	-	-	7,759	-	-	7,759	3,750
Transportation	11,422	236	60	288	-	-	-	-	-	12,006	1,277	3,523	16,806	30,835
Training and professional development	2,513	-	-	32	-	-	-	-	435	2,980	9,896	2,822	15,698	14,756
Records and testing fees	37	293	1,068	117	-	-	-	-	-	1,515	-	-	1,515	2,578
Medical	2,114	-	90	80	-	-	-	-	-	2,284	2,066	505	4,855	3,819
Credit loss	-	-	-	-	-	-	-	-	-	-	-	6,110	6,110	16,866
Administrative fees, charged to Foundation	-	-	-	-	-	-	-	-	-	-	(18,318)	-	(18,318)	(12,673)
TOTAL OPERATING EXPENSES	\$ 1,967,462	\$ 101,083	\$ 134,449	\$ 242,063	\$ 59,581	\$ 101,367	\$ 39,811	\$ 129,161	\$ 57,452	\$ 2,832,429	\$ 826,516	\$ 552,854	\$ 4,211,799	\$ 4,230,009

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, 2025
(with summarized financial information for the year ended December 31, 2024)

	<u>Casa Inc.</u>	<u>Casa Foundation</u>	<u>Combined Funds</u>	
	<u>2025</u>		<u>2025</u>	<u>2024</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Change in net assets	\$ -	\$ 1,289,374	\$ 1,289,374	\$ 705,535
Adjustments to reconcile change in net assets to net cash from operating activities:				
Net (gain) losses on investments	-	(2,022,322)	(2,022,322)	(1,671,465)
Limited partnership income	(19,464)	-	(19,464)	(16,433)
Depreciation	220,247	-	220,247	202,894
Loss (Gain) on asset disposition	(18,521)	-	(18,521)	(9,540)
Changes in operating assets and liabilities:				
Contributions receivable	434,650	-	434,650	(376,675)
Prepaid expenses	47,538	-	47,538	(76,887)
Accounts payable	(26,004)	-	(26,004)	47,142
Accrued expenses	34,008	-	34,008	27,808
Deferred revenue	(39,000)	-	(39,000)	(38,300)
Casa Foundation payable increase to Casa Inc.	(276,246)	276,246	-	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>357,208</u>	<u>(456,702)</u>	<u>(99,494)</u>	<u>(1,205,921)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment purchases	-	(1,434,797)	(1,434,797)	(24,220,806)
Proceeds from sale of investments	-	1,891,499	1,891,499	25,495,302
Proceeds from sale of fixed assets	22,749	-	22,749	10,021
Purchases of property and equipment	(165,287)	-	(165,287)	(315,367)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(142,538)</u>	<u>456,702</u>	<u>314,164</u>	<u>969,150</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	214,670	-	214,670	(236,771)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>422,766</u>	<u>330</u>	<u>423,096</u>	<u>659,867</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 637,436</u>	<u>\$ 330</u>	<u>\$ 637,766</u>	<u>\$ 423,096</u>
SUPPLEMENTAL DISCLOSURE :				
Interest paid	<u>\$ 7,170</u>	<u>\$ -</u>	<u>\$ 7,170</u>	<u>\$ 8,391</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, 2025

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 and as part of our services, Casa coordinates medical and behavioral health services to the children we serve through our behavioral health program and from outside, independent medical facilities and nonprofit partners. Additionally, Casa provides Case Management, After Care, Post Permanency, and Family 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, 2025**

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, 2024, 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, 2025

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 2025, approximately 403 volunteers contributed approximately 51,019 hours of service in connection with Casa or Foundation programs. During 2024, approximately 347 volunteers contributed approximately 55,562 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.

Subsequent Events

Management has evaluated subsequent events through April 29, 2026, 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 2022. If Casa or the Foundation were under tax examination, management does not anticipate a material change in its financial position or tax-exempt status.

**CASA DE ESPERANZA DE LOS NIÑOS, INC.
CASA DE ESPERANZA DE LOS NIÑOS FOUNDATION
Notes to the Combined Financial Statements
December 31, 2025**

NOTE 2 - CASH AND CASH EQUIVALENTS

Cash and cash equivalent balances are maintained by several banks that 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 and 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, 2025 and 2024, the balances in these accounts were \$358,024 and \$93,914, 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, 2025, 2024, and 2023, Casa had short-term contributions receivable totaling \$114,504, \$556,654, and \$170,979, respectively. As of December 31, 2025, 2024, and 2023, Casa had long-term contributions receivable totaling \$7,500, \$0, and \$9,000, respectively.

For the year ended December 31, 2025, two pledges represented 30% of total contributions receivable. For the year ended December 31, 2024, two pledges represented 60% of total contributions receivable.

Management identified uncollectible contributions receivable of \$6,110 in 2025 and \$16,866 in 2024, which were written off as credit losses.

The Foundation had no contributions receivable as of December 31, 2025 and 2024.

NOTE 4 - PROPERTY AND EQUIPMENT

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

	<u>2025</u>	<u>2024</u>
Land	\$ 503,955	\$ 503,955
Land improvements	887,749	880,856
Buildings and improvements	3,938,361	3,855,118
Software	46,004	44,879
Transportation equipment	289,798	326,256
Furniture and fixtures	646,518	620,606
Total property and equipment	6,312,385	6,231,670
Less accumulated depreciation	(3,501,864)	(3,361,961)
Property and equipment, net	<u>\$ 2,810,521</u>	<u>\$ 2,869,709</u>

Depreciation expense was \$220,247 and \$202,894 for the years ended December 31, 2025 and 2024, respectively.

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NOTE 5 - LIQUIDITY RESOURCES

As of December 31, 2025, 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	\$ 263,383	\$ 330	\$ 263,713
Money market, cash equivalents	374,053	-	374,053
Contributions receivable	114,504	-	114,504
Due to/from Casa/Casa Foundation	288,919	(288,919)	-
Investments (See Note 6)	-	19,562,139	19,562,139
Total financial assets	<u>\$ 1,040,859</u>	<u>\$ 19,273,550</u>	<u>\$ 20,314,409</u>
Less financial assets not available for general expenditure:			
Restricted by donor with purpose restrictions	(115,462)	-	(115,462)
Permanently restricted endowment funds	-	(700,000)	(700,000)
Total financial assets available for general expenditures	<u>\$ 925,397</u>	<u>\$ 18,573,550</u>	<u>\$ 19,498,947</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 \$363,000 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 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 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:

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NOTE 6 - INVESTMENTS – continued

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;
- quoted 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.

Limited Partnership

In 1996, Casa was gifted a one-percent interest in a limited partnership. This partnership had an estimated value of \$278,146 and \$258,682 as of December 31, 2025 and 2024, respectively. Casa Inc.’s investment is considered a Level 3 investment, as the measurement date valuation is derived from the December 31, 2024 IRS Schedule K-1. Management determined the level 3 valuation is conservative and below estimated fair value received from other partners in the limited partnership.

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, 2025</u>				
Limited Partnership	\$ 278,146	\$ -	\$ -	\$ 278,146
Total investments	<u>\$ 278,146</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 278,146</u>
<u>December 31, 2024</u>				
Limited Partnership	\$ 258,682	\$ -	\$ -	\$ 258,682
Total investments	<u>\$ 258,682</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 258,682</u>

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. In December 2024, the funds above \$700,000, \$38,478, were transferred to an unrestricted investment account. A slight unrealized loss reduced the corpus to \$699,810 as of December 31, 2024; however, as of December 31, 2025, the account balance exceeded \$700,000.

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NOTE 6 - INVESTMENTS – continued

Investment, endowment fund – continued

During 2025, additional funds in excess of \$700,000 totaling \$95,742 were also transferred to the unrestricted investment account. As of December 31, 2025, the balance of the donor-restricted investment account was \$702,588 representing \$2,588 more than the required corpus to be maintained in accordance with donor stipulations.

At their December 11, 2024 meeting, the Casa Foundation Trustees approved consolidating the Foundation's investment accounts to two exchange-traded-fund accounts, one for unrestricted assets and the other for restricted assets. The purpose of this change was to automatically rebalance the accounts and reduce management expenses.

Fair value hierarchy

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

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>December 31, 2025</u>				
Cash or Cash Equivalent	\$ 606,943	\$ 606,943	\$ -	\$ -
US Stocks, ETF Funds	10,121,168	10,121,168	-	-
US Bonds, ETF Funds	6,139,663	6,139,663	-	-
INTL Stock, ETF Funds	2,694,365	2,694,365	-	-
Total investments	<u>\$ 19,562,139</u>	<u>\$ 19,562,139</u>	<u>\$ -</u>	<u>\$ -</u>
<u>December 31, 2024</u>				
Cash or Cash Equivalent	\$ 404,989	\$ 404,989	\$ -	\$ -
US Stocks, ETF Funds	9,099,497	9,099,497	-	-
US Bonds, ETF Funds	6,330,780	6,330,780	-	-
INTL Stock, ETF Funds	2,161,253	2,161,253	-	-
Total investments	<u>\$ 17,966,519</u>	<u>\$ 17,966,519</u>	<u>\$ -</u>	<u>\$ -</u>

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, 2025 and 2024.

Concentrations of credit risk

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

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

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NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS

Casa received donations with the following donor restrictions for the years ended December 31:

	<u>2025</u>	<u>2024</u>
Foster Care – Residential	\$ 215,580	\$ 368,512
Foster Care – Community	219,875	310,000
Foster Care and Family Support Services	179,535	283,585
Family Support Services	9,500	10,000
Family Support Services – After-Care	8,311	150
Family Support Services – Post Permanency	3,425	-
Administrative	-	1,500
Net Assets with donor restrictions	<u>\$ 636,226</u>	<u>\$ 973,747</u>

All restricted gifts were used during the respective years for the restricted purpose except \$115,462 and \$337,105, respectively.

For the years ended December 31, 2025 and 2024, net assets with donor restrictions were restricted for these purposes:

	<u>2025</u>	<u>2024</u>
Casa Inc.:		
Foster Care – Residential	\$ 57,102	\$ 155,451
Foster Care	5,000	10,000
Foster Care and Family Support Services	53,360	135,568
Family Support Services – Post Permanency	-	36,086
	<u>115,462</u>	<u>337,105</u>
Casa Foundation:		
Permanently Restricted Endowment	700,000	699,810
Net Assets with donor restrictions	<u>\$ 815,462</u>	<u>\$ 1,036,915</u>

NOTE 8 - 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. During 2024, the Governing Board approved a transfer from Casa Foundation to Casa Inc. for \$870,804 with the budget approval and in December 2025 an additional transfer of up to 2% of investments was approved based on actual year-end shortfall, which was \$270,601. The funding Casa Inc. received from Casa Foundation during 2025 and 2024 were made up of the following sources:

	<u>2025</u>	<u>2024</u>
General funding	\$ 1,141,405	\$ 770,743
Capital funding	-	121,431
Foundation Funding to Casa Inc.	<u>\$ 1,141,405</u>	<u>\$ 892,174</u>

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NOTE 8 - RELATED PARTY TRANSACTIONS - continued

The Casa accounts receivable due from Casa Foundation were made up of the following sources for the years ended December 31, 2025 and 2024, respectively:

	<u>2025</u>	<u>2024</u>
General funding	\$ 270,601	\$ -
Administrative fees	18,318	12,673
Casa receivable from Foundation	<u>\$ 288,919</u>	<u>\$ 12,673</u>

NOTE 9 - FUNDRAISING

Casa held fundraising events during the years ended December 31, 2025 and 2024. These events generated donations of \$704,815 and \$734,185 with the direct costs of \$140,915 and \$143,494 for the years ended December 31, 2025 and 2024, respectively.

NOTE 10 - EMPLOYEE RETIREMENT PLAN

The Casa de Esperanza Employee Retirement Plan (the Plan) is a defined contribution retirement plan covering substantially all employees of Casa. Effective January 1, 2025, the Plan was amended to safe harbor, and the Plan document was restated on October 24, 2025. Employees hired prior to October 24, 2025 were eligible to participate in 401(k) salary deferrals and rollover contributions immediately upon employment. Employees hired on or after October 24, 2025 are eligible to participate after completing six months of service. Eligible employees may make rollover contributions regardless of participation in salary deferrals.

In connection with the transition to a safe harbor plan, Casa made a non-elective contribution equal to 3% of plan compensation to all eligible employees as of January 1, 2025. At year-end, Casa also made a discretionary profit-sharing contribution, which was subject to eligibility and vesting requirements. Profit-sharing allocations were weighted based on participant age and years of service.

For the years ended December 31, 2025 and 2024, Casa contributed \$105,627 and \$112,379, 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.