

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

**CASA DE ESPERANZA
DE LOS NIÑOS FOUNDATION**

Combined Financial Statements

**For the Years Ended
December 31, 2024 and 2023**

(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, 2024, 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, 2024, 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 2023 combined financial statements, and our report dated April 26, 2024, 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, 2023, is consistent, in all material respects, with the audited combined financial statements from which it has been derived.



Houston, Texas

April 28, 2025

CASA DE ESPERANZA DE LOS NIÑOS, INC.
CASA DE ESPERANZA DE LOS NIÑOS FOUNDATION
Combined Statements of Financial Position
December 31, 2024
(with summarized financial information as of December 31, 2023)

	<u>Casa Inc.</u>	<u>Casa Foundation</u>	<u>Combined Funds</u>	
	<u>2024</u>		<u>2024</u>	<u>2023</u>
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 422,766	\$ 330	\$ 423,096	\$ 659,867
Contributions receivable	556,654	-	556,654	170,979
Prepaid expenses	295,135	-	295,135	218,248
Investments	-	17,296,709	17,296,709	16,899,550
Casa Foundation due to Casa Inc.	12,673	(12,673)	-	-
Total Current Assets	<u>1,287,228</u>	<u>17,284,366</u>	<u>18,571,594</u>	<u>17,948,644</u>
Non-Current Assets				
Contributions receivable, long-term	-	-	-	9,000
Property and equipment, net	2,869,709	-	2,869,709	2,757,717
Investment in limited partnership	258,682	-	258,682	242,249
Investments, endowment fund	-	699,810	699,810	700,000
Total Non-Current Assets	<u>3,128,391</u>	<u>699,810</u>	<u>3,828,201</u>	<u>3,708,966</u>
Total Assets	<u>\$ 4,415,619</u>	<u>\$ 17,984,176</u>	<u>\$ 22,399,795</u>	<u>\$ 21,657,610</u>
LIABILITIES AND NET ASSETS				
Current Liabilities				
Accounts payable	\$ 93,744	\$ -	\$ 93,744	\$ 46,602
Accrued expenses	371,090	-	371,090	343,282
Deferred revenue	216,200	-	216,200	254,500
Total Current Liabilities	<u>681,034</u>	<u>-</u>	<u>681,034</u>	<u>644,384</u>
Net Assets				
Without donor restrictions	3,397,480	17,284,366	20,681,846	20,035,425
With donor restrictions	337,105	699,810	1,036,915	977,801
Total Net Assets	<u>3,734,585</u>	<u>17,984,176</u>	<u>21,718,761</u>	<u>21,013,226</u>
Total Liabilities and Net Assets	<u>\$ 4,415,619</u>	<u>\$ 17,984,176</u>	<u>\$ 22,399,795</u>	<u>\$ 21,657,610</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, 2024
(with summarized financial information for the year ended December 31, 2023)

	CASA DE ESPERANZA DE LOS NIÑOS, INC.			CASA DE ESPERANZA DE LOS NIÑOS FOUNDATION			2024	2023
	2024			2024				
	Without Donor Restrictions	With Donor Restrictions	Total Funds	Without Donor Restrictions	With Donor Restrictions	Total Funds		
REVENUE								
Contributions								
Foundations and grants	\$ 400,807	\$ 728,095	\$ 1,128,902	\$ -	\$ -	\$ -	\$ 1,128,902	\$ 806,445
Individuals and estates	769,664	34,322	803,986	-	-	-	803,986	819,550
Institutions and corporations	222,138	191,090	413,228	-	-	-	413,228	412,885
Churches and religious organizations	21,769	20,240	42,009	-	-	-	42,009	75,594
Contributions	<u>1,414,378</u>	<u>973,747</u>	<u>2,388,125</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,388,125</u>	<u>2,114,474</u>
Special Events								
Special event revenue	734,185	-	734,185	-	-	-	734,185	481,484
Direct donor benefit costs	(143,494)	-	(143,494)	-	-	-	(143,494)	(133,611)
Special events	<u>590,691</u>	<u>-</u>	<u>590,691</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>590,691</u>	<u>347,873</u>
Investments and Other Income								
Investment returns, net	30,146	-	30,146	1,907,755	17,253	1,925,008	1,955,154	2,613,689
Other income	14,247	-	14,247	-	-	-	14,247	6,998
Funding from Casa Foundation	892,174	-	892,174	(892,174)	-	(892,174)	-	-
Casa Foundation restricted funds transferred	-	-	-	38,478	(38,478)	-	-	-
Satisfaction of program/donor restrictions	914,443	(914,443)	-	(21,035)	21,035	-	-	-
TOTAL REVENUE	<u>3,856,079</u>	<u>59,304</u>	<u>3,915,383</u>	<u>1,033,024</u>	<u>(190)</u>	<u>1,032,834</u>	<u>4,948,217</u>	<u>5,083,034</u>
EXPENSE								
Program								
Residential and Foster Care	2,115,240	-	2,115,240	-	-	-	2,115,240	2,140,995
Family Support Services	627,432	-	627,432	-	-	-	627,432	913,044
Outreach	122,527	-	122,527	-	-	-	122,527	90,313
Compliance	64,891	-	64,891	-	-	-	64,891	98,873
Program services	<u>2,930,090</u>	<u>-</u>	<u>2,930,090</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,930,090</u>	<u>3,243,225</u>
Management & General								
Management & General	838,463	-	838,463	12,673	-	12,673	851,136	631,610
Fundraising	461,456	-	461,456	-	-	-	461,456	610,500
TOTAL EXPENSE	<u>4,230,009</u>	<u>-</u>	<u>4,230,009</u>	<u>12,673</u>	<u>-</u>	<u>12,673</u>	<u>4,242,682</u>	<u>4,485,335</u>
TOTAL CHANGE IN NET ASSETS	(373,930)	59,304	(314,626)	1,020,351	(190)	1,020,161	705,535	597,699
NET ASSETS - BEGINNING OF YEAR	3,771,410	277,801	4,049,211	16,264,015	700,000	16,964,015	21,013,226	20,415,527
NET ASSETS - END OF YEAR	<u>\$ 3,397,480</u>	<u>\$ 337,105</u>	<u>\$ 3,734,585</u>	<u>\$ 17,284,366</u>	<u>\$ 699,810</u>	<u>\$ 17,984,176</u>	<u>\$ 21,718,761</u>	<u>\$ 21,013,226</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, 2024
(with summarized financial information for the year ended December 31, 2023)

	Residential and Foster Care		Family Support Services							Total Program Services	Management and General	Fundraising	2024 Total	2023 Total
	Residential	Community	Birth Parent Assistance	After-Care	Adoption Services	Post Permanency	Prevention Services	Outreach	Compliance					
	In-House Foster Care	Foster Care												
Payroll, taxes and benefits	\$ 1,124,201	\$ 124,307	\$ 93,619	\$ 170,108	\$ 27,000	\$ 77,804	\$ 96,211	\$ 107,760	\$ 59,723	\$ 1,880,733	\$ 492,889	\$ 311,757	\$ 2,685,379	\$ 3,001,032
Insurance	210,883	10,617	9,748	14,033	1,456	4,507	3,229	9,355	2,090	265,918	23,109	26,709	315,736	309,615
Repairs and maintenance	188,408	3,301	4,102	5,227	405	1,149	370	888	573	204,423	12,078	13,427	229,928	349,743
Depreciation	172,480	2,216	4,341	4,286	261	851	104	470	366	185,375	15,942	1,577	202,894	210,588
Independent contractors & services	107,195	6,172	3,100	3,026	13,175	1,246	953	2,754	398	138,019	250,634	41,246	429,899	191,875
Utilities and telephone	79,341	2,153	3,290	3,530	267	1,400	1,596	701	799	93,077	6,766	3,539	103,382	92,041
Outreach assistance and support	9,085	2,085	2,980	21,680	25	25,787	2,411	-	-	64,053	-	5	64,058	79,987
Office expenses	3,218	963	903	1,105	77	470	440	164	136	7,476	32,429	35,292	75,197	92,576
Meeting expenses	1,561	252	15	-	-	-	125	45	-	1,998	7,816	2,039	11,853	17,778
Food and household	31,455	5	1,281	12,568	-	494	285	-	-	46,088	400	142	46,630	49,823
Newsletters, brochures and annual report	-	-	-	-	-	-	-	-	-	-	537	4,585	5,122	31,602
Education and daycare	-	3,750	-	-	-	-	-	-	-	3,750	-	-	3,750	1,440
Transportation	26,749	372	316	2,564	-	345	111	-	-	30,457	338	40	30,835	13,059
Training and professional development	783	370	-	132	-	130	-	310	806	2,531	8,118	4,107	14,756	30,592
Records and testing fees	-	184	2,287	-	-	107	-	-	-	2,578	-	-	2,578	2,469
Medical	3,134	-	160	80	-	80	80	80	-	3,614	80	125	3,819	6,466
Credit loss	-	-	-	-	-	-	-	-	-	-	-	16,866	16,866	-
Administrative fees, charged to Foundation	-	-	-	-	-	-	-	-	-	-	(12,673)	-	(12,673)	(14,215)
TOTAL OPERATING EXPENSES	\$ 1,958,493	\$ 156,747	\$ 126,142	\$ 238,339	\$ 42,666	\$ 114,370	\$ 105,915	\$ 122,527	\$ 64,891	\$ 2,930,090	\$ 838,463	\$ 461,456	\$ 4,230,009	\$ 4,466,471

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, 2024
(with summarized financial information for the year ended December 31, 2023)

	<u>Casa Inc.</u>	<u>Casa Foundation</u>	<u>Combined Funds</u>	
	<u>2024</u>		<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Change in net assets	\$ (314,626)	\$ 1,020,161	\$ 705,535	\$ 597,699
Adjustments to reconcile change in net assets to net cash from operating activities:				
Net realized and unrealized (gain) losses on investments	-	(1,671,465)	(1,671,465)	(2,332,472)
Limited partnership income	(16,433)	-	(16,433)	(14,757)
Depreciation	202,894	-	202,894	210,588
Loss (Gain) on asset disposition	(9,540)	-	(9,540)	(6,998)
Changes in operating assets and liabilities:				
Contributions receivable	(376,675)	-	(376,675)	101,514
Prepaid expenses	(76,887)	-	(76,887)	(122,338)
Accounts payable	47,142	-	47,142	16,638
Accrued expenses	27,808	-	27,808	207,726
Deferred revenue	(38,300)	-	(38,300)	254,500
Casa Foundation payable decrease to Casa Inc.	623,192	(623,192)	-	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>68,575</u>	<u>(1,274,496)</u>	<u>(1,205,921)</u>	<u>(1,087,900)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment purchases	-	(24,220,806)	(24,220,806)	(4,823,549)
Proceeds from sale of investments	-	25,495,302	25,495,302	5,652,815
Proceeds from sale of fixed assets	10,021	-	10,021	8,500
Purchases of property and equipment	(315,367)	-	(315,367)	(201,710)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(305,346)</u>	<u>1,274,496</u>	<u>969,150</u>	<u>636,056</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(236,771)	-	(236,771)	(451,844)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>659,537</u>	<u>330</u>	<u>659,867</u>	<u>1,111,711</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 422,766</u>	<u>\$ 330</u>	<u>\$ 423,096</u>	<u>\$ 659,867</u>
SUPPLEMENTAL DISCLOSURE :				
Interest paid	<u>\$ 8,391</u>	<u>\$ -</u>	<u>\$ 8,391</u>	<u>\$ 6,483</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, 2024**

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, 2024**

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, 2023, 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, 2024

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 2024, approximately 347 volunteers contributed approximately 55,562 hours of service in connection with Casa or Foundation programs. During 2023, approximately 597 volunteers contributed approximately 60,000 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 28, 2025, 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 2021. 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, 2024**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Reclassification of Previously Reported Amounts

Amounts previously reported on the combined statements of activities and the statements of functional expenses for the year ended December 31, 2023 have been reclassified to agree with current year presentation. There was no effect on previously reported change in net assets. In the current year presentation, outreach and compliance are considered separate program services.

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, 2024 and 2023, the balances in these accounts were \$93,914 and \$85,669, 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, 2024 and 2023, Casa had short-term contributions receivable totaling \$556,654 and \$170,979, respectively. As of December 31, 2023, Casa had long-term contributions receivable totaling \$9,000. As of December 31, 2024, there are no long-term contributions receivable. For the year ended December 31, 2024, two pledges represented 60% of total contributions receivable.

In 2024, management deemed \$16,866 of contributions receivables uncollectible and these were written off to credit loss. The Foundation had no contributions receivable as of December 31, 2024 and 2023.

NOTE 4 - PROPERTY AND EQUIPMENT

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

	<u>2024</u>	<u>2023</u>
Land	\$ 503,955	\$ 503,955
Land improvements	880,856	846,156
Buildings and improvements	3,855,118	3,687,097
Software	44,879	33,379
Transportation equipment	326,256	306,289
Furniture and fixtures	620,606	615,940
Total property and equipment	6,231,670	5,992,816
Less accumulated depreciation	(3,361,961)	(3,235,099)
Property and equipment, net	<u>\$ 2,869,709</u>	<u>\$ 2,757,717</u>

Depreciation expense was \$202,894 and \$210,588 for the years ended December 31, 2024 and 2023, respectively.

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NOTE 5 - LIQUIDITY RESOURCES

As of December 31, 2024, 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	\$ 177,864	\$ 330	\$ 178,194
Money market, cash equivalents	237,160	-	237,160
Contributions receivable	556,654	-	556,654
Due to/from Casa/Casa Foundation	12,673	(12,673)	-
Investments (See Note 6)	-	17,996,519	17,996,519
Total financial assets	<u>\$ 984,351</u>	<u>\$ 17,984,176</u>	<u>\$ 18,968,527</u>
Less financial assets not available for general expenditure:			
Restricted by donor with purpose restrictions	(337,105)	-	(337,105)
Permanently restricted endowment funds	-	(699,810)	(699,810)
Total financial assets available for general expenditures	<u>\$ 647,246</u>	<u>\$ 17,284,366</u>	<u>\$ 17,931,612</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 \$353,000 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 \$258,682 and \$242,249 as of December 31, 2024 and 2023, respectively. Casa Inc.’s investment is considered a Level 3 investment, as the measurement date valuation is derived from the December 31, 2023 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, 2024</u>				
Limited Partnership	\$ 258,682	\$ -	\$ -	\$ 258,682
Total investments	<u>\$ 258,682</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 258,682</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>

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. There was also a slight unrealized loss that occurred causing the corpus to drop to \$699,810 as of December 31, 2024.

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NOTE 6 - INVESTMENTS - continued

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.

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, 2024</u>				
Cash or Cash Equivalent	\$ 404,989	\$ 404,989	\$ -	\$ -
Exchange-Traded Funds	17,591,530	17,591,530	-	-
Total investments	<u>\$ 17,966,519</u>	<u>\$ 17,966,519</u>	<u>\$ -</u>	<u>\$ -</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>

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, 2024 and 2023.

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.

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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>2024</u>	<u>2023</u>
Foster Care – Residential	\$ 368,512	\$ 539,720
Foster Care – Community	310,000	-
Foster Care and Family Support Services	283,585	37,500
Family Support Services	10,000	-
Family Support Services – After-Care	150	8,000
Administrative	1,500	2,850
Net Assets with donor restrictions	<u>\$ 973,747</u>	<u>\$ 588,070</u>

All restricted gifts were used during the respective years for the restricted purpose except \$337,105 and \$277,801, respectively.

For the years ended December 31, 2024 and 2023, net assets with donor restrictions were restricted for these purposes:

	<u>2024</u>	<u>2023</u>
Casa Inc.:		
Foster Care – Residential	\$ 155,451	\$ 209,051
Foster Care	10,000	-
Foster Care and Family Support Services	135,568	-
Family Support Services – After-Care	-	2,500
Family Support Services – Post Permanency	36,086	63,750
Administrative	-	2,500
	<u>337,105</u>	<u>277,801</u>
Casa Foundation:		
Permanently Restricted Endowment	699,810	700,000
Net Assets with donor restrictions	<u>\$ 1,036,915</u>	<u>\$ 977,801</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.

The funding Casa Inc. received from Casa Foundation during 2024 and 2023 were made up of the following sources:

	<u>2024</u>	<u>2023</u>
General funding	\$ 770,743	\$ 500,000
Capital funding	121,431	-
Triple the Hope funding	-	617,000
Foundation Funding to Casa Inc.	<u>\$ 892,174</u>	<u>\$ 1,117,000</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, 2024 and 2023, respectively:

	<u>2024</u>	<u>2023</u>
Triple the Hope funding	\$ -	\$ 617,000
Administrative fees	12,673	18,865
Casa receivable from Foundation	<u>\$ 12,673</u>	<u>\$ 635,865</u>

NOTE 9 - FUNDRAISING

Casa held fundraising events during the years ended December 31, 2024 and 2023. These events generated donations of \$734,185 and \$481,484 with the direct costs of \$143,494 and \$133,611 for the years ended December 31, 2024 and 2023, respectively.

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, 2024 and 2023, Casa contributed \$112,379 and \$135,555, 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.