

**CASA ESPERANZA, INC. AND  
CASA ESPERANZA ENDOWMENT  
FOUNDATION, INC.**

**COMBINED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**YEARS ENDED JUNE 30, 2015 AND 2014**

**CASA ESPERANZA, INC. AND CASA ESPERANZA  
ENDOWMENT FOUNDATION, INC.  
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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Casa Esperanza, Inc. and  
Casa Esperanza Endowment Foundation, Inc.  
Albuquerque, New Mexico

### **Report on the Financial Statements**

We have audited the accompanying combined financial statements of Casa Esperanza, Inc. and Casa Esperanza Endowment Foundation, Inc. (the Organization) (both nonprofit organizations), which comprise the combined statements of financial position as of June 30, 2015 and 2014, and the related combined statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the combined financial statements.

### ***Management's Responsibility for the Combined Financial Statements***

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors  
Casa Esperanza, Inc. and  
Casa Esperanza Endowment Foundation, Inc.

***Opinion***

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Report on Supplementary Information***

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



**CliftonLarsonAllen LLP**

Albuquerque, New Mexico  
September 24, 2015

**CASA ESPERANZA, INC. AND CASA ESPERANZA  
ENDOWMENT FOUNDATION, INC.  
COMBINED STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2015 AND 2014**

<b>ASSETS</b>	2015	2014
<b>CURRENT ASSETS</b>		
Cash	\$ 637,022	\$ 471,967
Investments	1,090,512	1,091,535
Accounts Receivable, Net of Uncollectible Receivables	18,682	17,604
Contributions Receivable	10,729	12,898
Grants and Contracts Receivable	68,500	72,500
Inventory	53,791	40,733
Prepaid Expenses	19,799	15,194
Total Current Assets	1,899,035	1,722,431
<b>PROPERTY AND EQUIPMENT, NET</b>	648,100	729,130
<b>OTHER ASSETS</b>		
Long-Term Grants Receivable, Net of Discount	29,987	69,035
Long-Term Investments	195,028	194,744
Land Held for Sale	73,599	73,599
Charitable Gift Annuity	28,151	26,782
Contributed Use of Property	295,172	296,498
Total Other Assets	621,937	660,658
Total Assets	\$ 3,169,072	\$ 3,112,219

See accompanying Notes to Financial Statements.

<b>LIABILITIES AND NET ASSETS</b>	<u>2015</u>	<u>2014</u>
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 16,587	\$ 9,721
Accrued Wages and Benefits	42,933	39,486
Current Portion of Charitable Gift Annuity	1,250	1,250
Other Liabilities	960	1,020
Total Current Liabilities	<u>61,730</u>	<u>51,477</u>
<b>LONG-TERM LIABILITIES</b>		
Charitable Gift Annuity, Net of Current Portion	<u>21,486</u>	<u>20,202</u>
Total Long-Term Liabilities	<u>21,486</u>	<u>20,202</u>
Total Liabilities	83,216	71,679
<b>NET ASSETS</b>		
Unrestricted	1,260,192	1,142,538
Temporarily Restricted	1,657,459	1,729,797
Permanently Restricted	168,205	168,205
Total Net Assets	<u>3,085,856</u>	<u>3,040,540</u>
Total Liabilities and Net Assets	<u>\$ 3,169,072</u>	<u>\$ 3,112,219</u>

**CASA ESPERANZA, INC. AND CASA ESPERANZA  
ENDOWMENT FOUNDATION, INC.  
COMBINED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
YEAR ENDED JUNE 30, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>REVENUES, GAINS AND PUBLIC SUPPORT</b>				
Vehicle Donation Program	\$ 603,352	\$ -	\$ -	\$ 603,352
Cost of Sales	<u>293,581</u>	<u>-</u>	<u>-</u>	<u>293,581</u>
<b>GROSS PROFIT</b>	309,771	-	-	309,771
Grants	90,300	51,994	-	142,294
Program Income	260,909	805	-	261,714
Contributions and Support	90,245	26,554	-	116,799
Event Income	151,933	246,110	-	398,043
Interest Income	2,037	-	-	2,037
Investment Return	942	20,416	-	21,358
Other Income	5,321	-	-	5,321
In-kind Income	94,241	-	-	94,241
Satisfaction of Program Restrictions:				
Restrictions Satisfied by				
Program Payments	<u>418,217</u>	<u>(418,217)</u>	<u>-</u>	<u>-</u>
Total Revenues, Gains and Public Support	1,423,916	(72,338)	-	1,351,578
<b>EXPENSES</b>				
Program Services	435,064		-	435,064
Fundraising	509,040		-	509,040
Management and General	<u>281,127</u>		<u>-</u>	<u>281,127</u>
Total Expenses Before Depreciation	<u>1,225,231</u>	<u>-</u>	<u>-</u>	<u>1,225,231</u>
<b>CHANGE IN NET ASSETS BEFORE DEPRECIATION</b>	198,685	(72,338)	-	126,347
<b>DEPRECIATION</b>	<u>81,031</u>	<u>-</u>	<u>-</u>	<u>81,031</u>
<b>CHANGE IN NET ASSETS</b>	117,654	(72,338)	-	45,316
Net Assets - Beginning of Year	<u>1,142,538</u>	<u>1,729,797</u>	<u>168,205</u>	<u>3,040,540</u>
<b>NET ASSETS - END OF YEAR</b>	<u><u>\$ 1,260,192</u></u>	<u><u>\$ 1,657,459</u></u>	<u><u>\$ 168,205</u></u>	<u><u>\$ 3,085,856</u></u>

See accompanying Notes to Financial Statements.

**CASA ESPERANZA, INC. AND CASA ESPERANZA  
ENDOWMENT FOUNDATION, INC.  
COMBINED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
YEAR ENDED JUNE 30, 2014**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>REVENUES, GAINS AND PUBLIC SUPPORT</b>				
Vehicle Donation Program	\$ 587,833	\$ -	\$ -	\$ 587,833
Cost of Sales	<u>288,731</u>	<u>-</u>	<u>-</u>	<u>288,731</u>
<b>GROSS PROFIT</b>	299,102	-	-	299,102
Grants	87,400	177,500	-	264,900
Program Income	213,416	140	-	213,556
Contributions and Support	89,329	11,405	-	100,734
Event Income	47,443	287,440	-	334,883
Interest Income	529	-	-	529
Investment Return	(5,151)	183,527	-	178,376
Other Income	2,668	-	-	2,668
In-kind Income	49,666	-	-	49,666
Satisfaction of Program Restrictions:				
Restrictions Satisfied by				
Program Payments	<u>434,630</u>	<u>(434,630)</u>	<u>-</u>	<u>-</u>
Total Revenues, Gains and Public Support	1,219,032	225,382	-	1,444,414
<b>EXPENSES</b>				
Program Services	465,451	-	-	465,451
Fundraising	460,805	-	-	460,805
Management and General	<u>293,018</u>	<u>-</u>	<u>-</u>	<u>293,018</u>
Total Expenses Before Depreciation	<u>1,219,274</u>	<u>-</u>	<u>-</u>	<u>1,219,274</u>
<b>CHANGE IN NET ASSETS BEFORE DEPRECIATION</b>	(242)	225,382	-	225,140
<b>DEPRECIATION</b>	<u>82,923</u>	<u>-</u>	<u>-</u>	<u>82,923</u>
<b>CHANGE IN NET ASSETS</b>	(83,165)	225,382	-	142,217
Net Assets - Beginning of Year	<u>1,225,703</u>	<u>1,504,415</u>	<u>168,205</u>	<u>2,898,323</u>
<b>NET ASSETS - END OF YEAR</b>	<u><u>\$ 1,142,538</u></u>	<u><u>\$ 1,729,797</u></u>	<u><u>\$ 168,205</u></u>	<u><u>\$ 3,040,540</u></u>

See accompanying Notes to Financial Statements.



**CASA ESPERANZA, INC. AND CASA ESPERANZA  
ENDOWMENT FOUNDATION, INC.  
COMBINED STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2015**

	<u>Program Services</u>		<u>Supporting Services</u>		<u>Total Functional Expenses</u>
	<u>Patient Lodging</u>	<u>Fund- Raising</u>	<u>Management and General</u>	<u>Total Supporting Services</u>	
<b>EXPENSES</b>					
Advertising and Promotion	\$ 8,121	\$ 40	\$ 45	\$ 85	\$ 8,206
Bad Debt Expenses	675	-	-	-	675
Benefits	37,616	25,202	32,346	57,548	95,164
Board Expenses	26	-	1,720	1,720	1,746
Conferences and Meetings	68	605	301	906	974
Fundraising Expenses	-	300,212	224	300,436	300,436
In-Kind Expenses	49,406	44,598	237	44,835	94,241
Insurance	13,041	178	11,866	12,044	25,085
Investments Expense	-	-	9,042	9,042	9,042
Resident Assistance	13,148	-	-	-	13,148
Office Expenses	17,872	5,510	12,928	18,438	36,310
Other Expenses	1,479	-	50	50	1,529
Payroll Taxes	14,612	9,451	17,756	27,207	41,819
Printing and Publications	1,069	2,307	2,007	4,314	5,383
Professional Services	48,225	28,929	21,919	50,848	99,073
Repairs and Maintenance	31,236	33	127	160	31,396
Resident Supplies	16,849	-	-	-	16,849
Salaries and Wages	134,585	89,641	156,783	246,424	381,009
Staff and Donor Recognition	131	1,252	1,799	3,051	3,182
Travel and Mileage	923	452	1,472	1,924	2,847
Utilities	45,982	630	10,505	11,135	57,117
Expenses Before Depreciation	<u>435,064</u>	<u>509,040</u>	<u>281,127</u>	<u>790,167</u>	<u>1,225,231</u>
<b>DEPRECIATION EXPENSE</b>	<u>77,604</u>	<u>1,305</u>	<u>2,122</u>	<u>3,427</u>	<u>81,031</u>
<b>TOTAL EXPENSES</b>	<u>\$ 512,668</u>	<u>\$ 510,345</u>	<u>\$ 283,249</u>	<u>\$ 793,594</u>	<u>\$ 1,306,262</u>

See accompanying Notes to Financial Statements.

**CASA ESPERANZA, INC. AND CASA ESPERANZA  
ENDOWMENT FOUNDATION, INC.  
COMBINED STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2014**

	<u>Program Services</u>		<u>Supporting Services</u>		<u>Total Functional Expenses</u>
	<u>Patient Lodging</u>	<u>Fund- Raising</u>	<u>Management and General</u>	<u>Total Supporting Services</u>	
<b>EXPENSES</b>					
Advertising and Promotion	\$ 8,430	\$ 289	\$ 123	\$ 412	\$ 8,842
Bad Debt Expenses	695	-	-	-	695
Benefits	43,610	29,473	35,127	64,600	108,210
Board Expenses	26	-	1,591	1,591	1,617
Conferences and Meetings	671	274	381	655	1,326
Fundraising Expenses	-	289,313	123	289,436	289,436
In-Kind Expenses	39,439	615	9,612	10,227	49,666
Insurance	13,035	-	11,466	11,466	24,501
Investments Expense	-	-	8,863	8,863	8,863
Loss on Sale	-	210	1,395	1,605	1,605
Resident Assistance	19,047	-	-	-	19,047
Office Expenses	17,380	3,582	14,885	18,467	35,847
Other Expenses	1,100	-	-	-	1,100
Payroll Taxes	15,020	10,989	12,395	23,384	38,404
Printing and Publications	1,130	2,484	2,396	4,880	6,010
Professional Services	49,244	10,159	23,696	33,855	83,099
Repairs and Maintenance	27,964	49	445	494	28,458
Resident Supplies	14,548	-	-	-	14,548
Salaries and Wages	158,823	111,668	162,431	274,099	432,922
Staff and Donor Recognition	360	1,313	814	2,127	2,487
Travel and Mileage	1,276	387	1,433	1,820	3,096
Utilities	53,653	-	5,842	5,842	59,495
Expenses Before Depreciation	<u>465,451</u>	<u>460,805</u>	<u>293,018</u>	<u>753,823</u>	<u>1,219,274</u>
<b>DEPRECIATION EXPENSE</b>	<u>77,170</u>	<u>3,476</u>	<u>2,277</u>	<u>5,753</u>	<u>82,923</u>
<b>TOTAL EXPENSES</b>	<u>\$ 542,621</u>	<u>\$ 464,281</u>	<u>\$ 295,295</u>	<u>\$ 759,576</u>	<u>\$ 1,302,197</u>

See accompanying Notes to Financial Statements.

**CASA ESPERANZA, INC. AND CASA ESPERANZA  
ENDOWMENT FOUNDATION, INC.  
COMBINED STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2015 AND 2014**

	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 45,316	\$ 142,217
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	81,031	82,923
Change in Allowance for Doubtful Accounts	50	575
Loss on Disposal of Property and Equipment	-	1,187
Net Realized and Unrealized (Gains) Losses on Investments	22,935	(145,276)
Effects of Changes in Operating Assets and Liabilities:		
Accounts Receivable	(1,128)	13,118
Contributions Receivable	2,169	(6,242)
Grants and Contracts Receivable	43,048	(116,535)
Inventory	(13,058)	(181)
Prepaid Expenses	(4,606)	(2,955)
Contributed Use of Property	1,326	1,243
Accounts Payable	6,866	(5,127)
Accrued Expenses and Other Liabilities	3,387	(7,895)
Liabilities under Charitable Gift Annuity	1,284	(981)
Net Cash Provided (Used) by Operating Activities	188,620	(43,929)
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Investments	(368,528)	(306,731)
Proceeds from Sale of Investments	344,963	410,318
Net Cash Provided (Used) by Investing Activities	(23,565)	104,000
 <b>NET INCREASE IN CASH</b>	165,055	60,071
 Cash - Beginning of Year	471,967	411,896
 <b>CASH - END OF YEAR</b>	\$ 637,022	\$ 471,967
 <b>NONCASH ACTIVITIES</b>		
Unrealized Gains (Losses) on Investments	\$ (16,544)	\$ 126,536
Donated Goods and Services	94,241	49,666
Total Noncash Activities	\$ 77,697	\$ 176,202

See accompanying Notes to Financial Statements.

**CASA ESPERANZA, INC. AND  
CASA ESPERANZA ENDOWMENT FOUNDATION, INC.  
NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Definition of Reporting Entity**

Casa Esperanza, Inc. (Casa Esperanza), a nonprofit organization, was incorporated in the State of New Mexico on April 9, 1987. The stated mission of Casa Esperanza is to provide a facility offering temporary lodging for cancer patients and their family members while the patient is undergoing diagnostic, treatment or follow up care in an Albuquerque health care facility. Casa Esperanza operates and maintains twenty-eight rooms specifically for this purpose.

Casa Esperanza Endowment Foundation, Inc. (the Foundation), a nonprofit organization, was incorporated in the State of New Mexico on May 3, 2001. The stated mission of the Foundation is to operate for the sole benefit of Casa Esperanza by assisting it in carrying out its charitable purpose.

The Foundation serves as a support organization for Casa Esperanza. The Foundation manages an investment portfolio, a vehicle donation program and sponsors fundraising events in order to raise funds to support the mission of Casa Esperanza.

In addition to the provision of low cost lodging to cancer patients and their families, Casa Esperanza provides comprehensive support services. These programs are as follows:

**Family Care Services Team**

The dedicated staff of the Family Care Services Team assists patients and their families with locating resources; finding survivors and support groups; helping patients and their families to get in touch with their contracted clinical counselor; finding legal and financial counseling and confidential consultation; and providing presentations and discussion groups on a variety of issues related to cancer and cancer treatment. There is constant training for the Family Care Services Team and support staff so they can assist patients and their families in the best way possible.

**Patient Lodging**

This program provides low cost lodging to cancer patients and their families. Casa Esperanza, an 18,000 square foot residence, can accommodate 28 families at a time, for both long and short-term stays. Twelve suites (with family living space separate from sleeping areas) and 16 rooms, four of which are fully handicap-accessible, are all fully furnished. Each of the 28 family units has a private phone with voice mail, bathroom and television. Four fully equipped kitchens, a common dining area and a spacious common room encourage personal responsibility, therapeutic interaction and sharing among families.

Casa Esperanza, Inc. and Casa Esperanza Endowment Foundation, Inc. (the Organization) is governed by a Board of Directors, which has the responsibility for determining policy and for the execution and evaluation of programs and activities conducted by the Organization. Board members represent government, business, public sector and private individuals. The term served by Board members is three years.

**CASA ESPERANZA, INC. AND  
CASA ESPERANZA ENDOWMENT FOUNDATION, INC.  
NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Use of Estimates in Preparing Financial Statements**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include the methods and lives used to compute depreciation expense, allowance for uncollectible accounts, and value of gift annuity. Actual results could differ from those estimates.

**Financial Statement Presentation**

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*. Under ASC 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows. In accordance with this guidance, all intercompany transactions are eliminated.

**Cash**

For purposes of preparing the statements of cash flows, the Organization considers all cash depository accounts and highly liquid investments with initial maturities of three months or less as cash. Cash includes cash on hand, cash in banks and money market accounts held with a brokerage firm.

Amounts classified as restricted are segregated for donor-imposed or internally designated purposes.

**Accounts Receivable**

Accounts receivable represent the amount billed but uncollected for services provided to cancer patients and their families. The Organization uses the allowance method of accounts receivable valuation. The allowance is based on a five year historical write off average. Balances that are still outstanding and determined to be permanently impaired after management has used reasonable collection efforts are written off, after three months for lodging billed to an insurance carrier and one year if billed to a resident, through a charge to the valuation allowance and a reduction of accounts receivable. As of June 30, 2015 and 2014, the allowance for uncollectible receivables was approximately \$750 and \$800, respectively.

**CASA ESPERANZA, INC. AND  
CASA ESPERANZA ENDOWMENT FOUNDATION, INC.  
NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Contributions Receivable**

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Unconditional promises to give are reflected at the present value of estimated future cash flows using a discount rate of the Wall Street Journal prime rate. Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities or expenses, depending on the form of the benefits received. Promises to give are expected to be collected within one year and, therefore, have not been discounted at June 30, 2015. Management believes all amounts are collectible; therefore, no allowance is deemed necessary.

**Grants and Contracts Receivable**

The State of New Mexico Department of Health enters into an annual contract with the Organization to provide practical assistance and support to cancer patients and their families. Receivable balances represent the amount expended during the grant period but reimbursed by the grantor after year-end. When funds are received in the next year, the receivable will then be reduced. No amounts were over 90 days past due; therefore, no allowance has been recorded.

**Inventory**

Inventories, which primarily consist of gift and gas cards and donated vehicles for sale, are valued at the lower of cost or market. Cost is determined on the first-in, first-out method for purchased items and on the specific identification method at estimated fair market value for donated vehicles.

**Property and Equipment**

Property and equipment is stated at cost or, if donated, at the estimated fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from 3 to 40 years. The Organization capitalizes all individual items over \$1,000.

**Donated Property and Equipment**

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specified purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

**CASA ESPERANZA, INC. AND  
CASA ESPERANZA ENDOWMENT FOUNDATION, INC.  
NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed of**

The Organization reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of, if any, are reported at the lower of the carrying amount or the fair value less costs to sell. There was no impairment of long-lived assets at June 30, 2015 and 2014.

**Investments**

Investments consist primarily of mutual funds, corporate and government bonds, stocks and exchange traded funds. Investments are reported at their fair values in the combined statements of financial position.

The Organization carries its investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the combined statements of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying combined statements of activities and changes in net assets.

Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized. Otherwise such income, gains, and losses are reported as temporarily restricted or permanently restricted.

The Organization operates under an investment policy that is reviewed annually by the investment committee and approved by the Board.

**Contribution of Services**

Contribution of services is recognized in the financial statements of the Organization only if the services received (a) create or enhance the non-financial assets of the Organization, and (b) require specialized skills that are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

**Permanently Restricted Net Assets**

Accounting standards require the following financial statement disclosures for the Organization for the year ended June 30, 2015.

Classification of Net Assets – Endowment funds are used to account for investments in which the principal is temporarily or permanently restricted or Board-designated for a specific purpose.

**CASA ESPERANZA, INC. AND  
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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Interpretation of Relevant Law – The Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets: (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effects of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization investment policies.

**Revenue Recognition**

Contributions and grants received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the combined statements of activities as net assets released from restrictions.

Program income represents room rental income collected from residents and third party payers such as Medicaid and independent insurance companies. Investment income includes investments and interest income from investment funds held in Casa Esperanza Endowment Foundation, Inc. Event income includes fundraising income raised through events such as a Spring Signature Gala, Give Hope a Ride car donation program or from fundraising campaigns such as Friends Campaign throughout the year. In-kind income includes non-cash donations to the Organization that can be used by the Organization in its charitable mission or can be easily sold. Income from these sources is recognized when the donation is received.

**Expense Allocation**

The cost of providing the various programs and all other activities has been summarized on a functional basis in the statements of activities and the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.



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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Advertising Costs**

Advertising costs are expensed as incurred. Advertising expense was \$110,574 and \$104,286 for the years ended June 30, 2015 and 2014, respectively. The majority of this cost was related to the Organization's Give Hope a Ride Car Program (GHAR) and that portion is included in cost of goods sold in the Statements of Activities for the years ended June 30, 2015 and 2014.

**Income Taxes**

The Organization is a non-profit corporation and qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (IRC) and is classified as other than a private foundation. As such, their normal activities do not result in any income tax liability. The Organization pays taxes on unrelated business income.

The Organization would recognize accrued interest related to unrecognized tax benefits in interest expense and penalties in operating expenses. There was no such interest or penalties recorded for the years ended June 30, 2015 and 2014.

The Organization files informational tax returns as prescribed by the tax laws of the jurisdictions in which it operates. In the normal course of business, the Organization is subject to examination by federal, state, local and foreign jurisdictions, where applicable.

**Subsequent Events**

Management evaluated subsequent events through September 24, 2015, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2015, but prior to September 24, 2015, that provided additional evidence about conditions that existed at June 30, 2015 have been recognized in the financial statements for the year ended June 30, 2015. Events or transactions that provided evidence about conditions that did not exist at June 30, 2015, but arose before the financial statements were available to be issued, have not been recognized in the financial statements for the year ended June 30, 2015.

**NOTE 2 FAIR VALUE OF FINANCIAL INSTRUMENTS**

In determining fair value, the Organization uses various valuation approaches within the ASC 820 fair value measurement framework. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability. ASC 820 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. ASC 820 defines levels within the hierarchy based on the reliability of inputs as follows:

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**NOTE 2 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**

- *Level 1*—Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets;
- *Level 2*—Valuations based on quoted prices for similar assets or liabilities or identical assets or liabilities in less active markets, such as dealer or broker markets; and
- *Level 3*—Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer or broker-traded transactions.

Mutual funds, corporate and government bonds and stocks traded in active markets are measured at fair value using Level 1 inputs. The fair values are based on quoted market prices at the reporting date. Land held for sale is measured at fair value using Level 2 inputs. Funds at Albuquerque Community Foundation are classified within Level 3 of the valuation hierarchy since underlying investments in the Foundation's funds are not observable.

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**NOTE 2 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**

The following tables present assets and liabilities measured at fair value by classification within the fair value hierarchy as of June 30:

	2015			Total
	Fair Value Measurement Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Mutual Funds:				
Fixed Income Mutual Funds	\$ 376,684	\$ -	\$ -	\$ 376,684
Large Cap Mutual Funds	160,582	-	-	160,582
Mid-Small Cap Mutual Funds	100,827	-	-	100,827
Foreign Mutual Funds	116,499	-	-	116,499
Absolute Return/Multiclass Mutual Funds	116,820	-	-	116,820
ETFs:				
Large Cap ETF	210,504	-	-	210,504
Mid Cap ETF	96,020	-	-	96,020
Foreign Exchange ETF	69,578	-	-	69,578
Real Assets ETF	11,204	-	-	11,204
Land Held for Sale	-	73,599	-	73,599
Albuquerque Community Foundation Funds	-	-	26,822	26,822
Total Assets at Fair Value	<u>\$ 1,258,718</u>	<u>\$ 73,599</u>	<u>\$ 26,822</u>	<u>\$ 1,359,139</u>
Charitable Gift Annuity	\$ (22,736)	\$ -	\$ -	\$ (22,736)
Total Liabilities at Fair Value	<u>\$ (22,736)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (22,736)</u>

**CASA ESPERANZA, INC. AND  
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**NOTE 2 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**

	2014			Total
	Fair Value Measurement Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Mutual Funds:				
Fixed Income Mutual Funds	\$ 326,648	\$ -	\$ -	\$ 326,648
Large Cap Mutual Funds	153,898	-	-	153,898
Mid-Small Cap Mutual Funds	96,759	-	-	96,759
Foreign Mutual Funds	142,813	-	-	142,813
Absolute Return/Multiclass Mutual Funds	138,746	-	-	138,746
ETFs:				
Large Cap ETF	184,209	-	-	184,209
Mid Cap ETF	101,060	-	-	101,060
Foreign Exchange ETF	89,240	-	-	89,240
Real Assets ETF	26,367	-	-	26,367
Land Held for Sale	-	73,599	-	73,599
Albuquerque Community Foundation Funds	-	-	26,539	26,539
Total Assets at Fair Value	<u>\$ 1,259,740</u>	<u>\$ 73,599</u>	<u>\$ 26,539</u>	<u>\$ 1,359,878</u>
Charitable Gift Annuity	\$ (21,452)	\$ -	\$ -	\$ (21,452)
Total Liabilities at Fair Value	<u>\$ (21,452)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (21,452)</u>

**CASA ESPERANZA, INC. AND  
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**NOTE 2 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**

The following information summarizes the difference between cost and the estimated fair value for investments and liabilities related to the charitable gift annuity.

	2015		
	Cost	Estimated Fair Value	Market Value Over (Under) Cost
Mutual Funds:			
Fixed Income Mutual Funds	\$ 383,391	\$ 376,684	\$ (6,707)
Large Cap Mutual Funds	141,840	160,582	18,742
Mid-Small Cap Mutual Funds	66,750	100,827	34,077
Foreign Mutual Funds	111,467	116,499	5,032
Absolute Return/Multiclass Mutual Funds	117,701	116,820	(881)
ETFs:			
Large Cap ETF	157,590	210,504	52,914
Mid Cap ETF	63,512	96,020	32,508
Foreign Exchange ETF	72,924	69,578	(3,346)
Real Assets ETF	10,988	11,204	216
Land Held for Sale	73,599	73,599	-
Albuquerque Community Foundation Funds	25,150	26,822	1,672
Charitable Gift Annuity	(21,598)	(22,736)	(1,138)
Total	<u>\$ 1,203,314</u>	<u>\$ 1,336,403</u>	<u>\$ 133,089</u>
	2014		
	Cost	Estimated Fair Value	Market Value Over (Under) Cost
Mutual Funds:			
Fixed Income Mutual Funds	\$ 334,720	\$ 326,648	\$ (8,072)
Large Cap Mutual Funds	127,885	153,898	26,013
Mid-Small Cap Mutual Funds	67,315	96,759	29,444
Foreign Mutual Funds	123,122	142,813	19,691
Absolute Return/Multiclass Mutual Funds	131,843	138,746	6,903
ETFs:			
Large Cap ETF	144,047	184,209	40,162
Mid Cap ETF	68,028	101,060	33,032
Foreign Exchange ETF	86,276	89,240	2,964
Real Assets ETF	27,844	26,367	(1,477)
Land Held for Sale	73,599	73,599	-
Albuquerque Community Foundation Funds	25,150	26,539	1,389
Charitable Gift Annuity	(21,598)	(21,452)	146
Total	<u>\$ 1,188,231</u>	<u>\$ 1,338,426</u>	<u>\$ 150,195</u>

**CASA ESPERANZA, INC. AND  
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**NOTE 2 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**

The following is a reconciliation of the beginning and ending balances of assets measured at fair value on a recurring basis using significant unobservable (Level 3) inputs during the years ended June 30, 2015 and 2014.

	2015	2014
Balance - Beginning of Year	\$ 26,539	\$ 23,476
Contributions	-	-
Grants and Distributions	-	-
Dividend Income	458	416
Net Unrealized Gain	100	2,907
Investment Management Fees	(275)	(260)
Balance - End of Year	\$ 26,822	\$ 26,539

Unrealized gains and losses applicable to instruments valued using significant unobservable inputs (Level 3) are included in the combined statements of activities and changes in net assets for the years ended June 30, 2015 and 2014.

**NOTE 3 CHARITABLE GIFT ANNUITY**

In October of 2010, the Organization was named a remainder beneficiary of a charitable gift annuity. Two income beneficiaries are to receive, first from income and, to the extent that income is insufficient, from principal, a total annuity each year equal to \$1,250, in equal quarterly payments of \$312.50 at the end of each period. The payment amount is calculated as 5% of the charitable contribution of \$25,000. Upon the death of both beneficiaries, 100% of the remaining principal is to be distributed to the Organization. A non-current asset for the charitable gift annuity has been presented at year-end as fair market value of the trust assets. At June 30, 2015 and 2014, the asset and related liabilities are shown in the combined statements of financial position. The asset, recorded as an investment, totaled \$28,151 and \$26,782 and the liability totaled \$22,736 and \$21,452 at June 30, 2015 and 2014, respectively.

**CASA ESPERANZA, INC. AND  
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**NOTE 4 GRANTS AND CONTRACTS RECEIVABLE**

Grants and contracts receivable represent the following amounts due to Casa Esperanza at June 30:

	2015	2014
Dialysis Clinic Inc.	\$ 40,000	\$ 40,000
United Way of Central New Mexico	25,000	30,000
Miscellaneous	3,500	2,500
Long-Term Grants Receivable, Net of discount of \$13 and \$965 at June 30, 2015 and 2014, respectively	29,987	69,035
Total Grants and Receivables	<u>\$ 98,487</u>	<u>\$ 141,535</u>

**NOTE 5 PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at June 30:

	2015	2014
Building and Building Improvements	\$ 1,543,824	\$ 1,543,824
Furniture	405,686	405,686
Equipment	122,422	122,422
	<u>2,071,932</u>	<u>2,071,932</u>
Less Accumulated Depreciation	(1,423,832)	(1,342,802)
Total Property and Equipment	<u>\$ 648,100</u>	<u>\$ 729,130</u>

Depreciation expense for the years ended June 30, 2015 and 2014 was \$81,031 and \$82,923, respectively.

**NOTE 6 CONTRIBUTED USE OF PROPERTY**

The Organization received the use of the land on which the facility is constructed in the form of a 25 year, no cost lease that originated in June of 1992. In February 2009, the lease was extended through the year 2057 under the same terms as the original lease. The contributed land was recorded at fair market value on the date of the donation. The fair market value of the contribution is reduced annually to record the recognition of income and the reduction in market value. The annual revenue recognized as a result of this transaction is recorded as in-kind income based on an amortization rate of 9.25% over the life of the lease. The amount receivable for the years ended June 30 is as follows:

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**NOTE 6 CONTRIBUTED USE OF PROPERTY (CONTINUED)**

Year Ending June 30,	Amount
2016	\$ 1,414
2017	1,507
2018	1,607
2019	1,714
2020	1,828
Thereafter	287,102
Total Contribution Receivable	\$ 295,172

The amount to be recorded as income for the years ended June 30 is as follows:

Year Ending June 30,	Amount
2016	\$ 19,586
2017	19,493
2018	19,393
2019	19,286
2020	19,172
Thereafter	489,907
Total Contribution Expected	\$ 586,837

In each year, the total of these two amounts is offset by recording an in-kind occupancy expense in the amount of \$21,000.

**NOTE 7 TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS**

Temporarily restricted net assets consisted of the following at June 30:

	2015	2014
Assets Restricted Under Land Lease	\$ 295,172	\$ 296,498
Dialysis Clinic Inc.	70,000	110,000
United Way of Central New Mexico	25,000	30,000
Wells Fargo	3,500	-
Rotary Club of Albuquerque	-	2,500
Revenue Restricted to Specific Programs	1,263,787	1,290,799
Total	\$ 1,657,459	\$ 1,729,797

Permanently restricted net assets consisted of the following at June 30:

	2015	2014
Storr Endowment	\$ 100,000	\$ 100,000
2K2K Endowment	68,205	68,205
Total	\$ 168,205	\$ 168,205



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**NOTE 8 FISCAL SPONSORSHIP – DAY OF THE TREAD**

In 2012, the Foundation became a fiscal sponsor of Day of the Tread (DOTT), an unincorporated organization formed for the specific purpose of raising money for sole beneficiaries. During the year ended June 30, 2015, revenues totaling \$106,691 and expenses totaling \$110,711 were recognized related to DOTT. During the year ended June 30, 2014, revenues totaling \$134,040 and expenses totaling \$129,937 were recognized related to DOTT. In-kind revenue and expenses related to DOTT totaled \$139,419 at June 30, 2015. In-kind revenue and expenses related to DOTT totaled \$153,400 at June 30, 2014. The net income (deficit) is included in temporarily restricted net assets at June 30, 2015 and 2014. These expenses are included in event income and fundraising expenses on the combined statement of activities. Fiscal year 2015 was the last year for this sponsorship agreement.

**NOTE 9 GRANT INCOME**

Grant income represents support received by the Organization from the following funding sources at June 30:

	2015	2014
New Mexico Department of Health	\$ 86,400	\$ 86,400
United Way of Central New Mexico	25,000	30,000
Frost Foundation	8,000	7,500
Wells Fargo	6,000	-
BCBS of NM	5,000	-
PNM Resources	5,000	5,000
Nancy Floyd Haworth Found	3,000	2,500
Bank of Albuquerque	2,000	-
Miscellaneous	1,094	-
Citi Bank	500	-
Duke City Civitans	300	-
Dialysis Clinic Inc.	-	120,000
Western Refining	-	5,000
Handcock Family Foundation	-	5,000
Rotary Club of Albuquerque	-	2,500
Albuquerque Academy	-	1,000
Total Grant Income	<u>\$ 142,294</u>	<u>\$ 264,900</u>

**CASA ESPERANZA, INC. AND  
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**NOTE 10 ENDOWMENT**

The Organization's endowments consist of donor-restricted endowment funds established for support of Casa Esperanza, Inc. As required by U.S. generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted Endowment Funds	\$ -	\$ 1,171,982	\$ 168,205	\$ 1,340,187
Board-Designated Endowment Funds	-	-	-	-
Total Funds	<u>\$ -</u>	<u>\$ 1,171,982</u>	<u>\$ 168,205</u>	<u>\$ 1,340,187</u>
	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets - Beginning of Year	\$ -	\$ 1,193,105	\$ 168,205	\$ 1,361,310
Investment Return:				
Investment Income	-	44,291	-	44,291
Net Appreciation (Realized and Unrealized)	-	(23,875)	-	(23,875)
Total Investment Return	-	20,416	-	20,416
Contributions	-	20,000	-	20,000
Appropriation of Endowment Assets for Expenditure	-	(61,539)	-	-
Other Changes:				
Administration Fees	-	-	-	-
Endowment Net Assets - End of Year	<u>\$ -</u>	<u>\$ 1,171,982</u>	<u>\$ 168,205</u>	<u>\$ 1,340,187</u>

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**NOTE 10 ENDOWMENT (CONTINUED)**

	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted Endowment Funds	\$ -	\$ 1,193,105	\$ 168,205	\$ 1,361,310
Board-Designated Endowment Funds	-	-	-	-
Total Funds	\$ -	\$ 1,193,105	\$ 168,205	\$ 1,361,310

	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets - Beginning of Year	\$ -	\$ 1,082,919	\$ 168,205	\$ 1,251,124
Investment Return:				
Investment Income	-	38,714	-	38,714
Net Appreciation (Realized and Unrealized)	-	144,813	-	144,813
Total Investment Return	-	183,527	-	183,527
Contributions	-	-	-	-
Appropriation of Endowment Assets for Expenditure	-	(73,341)	-	-
Other Changes:				
Administration Fees	-	-	-	-
Endowment Net Assets - End of Year	\$ -	\$ 1,193,105	\$ 168,205	\$ 1,361,310

**Funds with Deficiencies**

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Organization to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature, when applicable, are reported in unrestricted net assets. These deficiencies, when applicable, result from unfavorable market fluctuations.

**Return Objectives and Risk Parameters**

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets.

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**NOTE 10 ENDOWMENT (CONTINUED)**

**Strategies Employed for Achieving Objectives**

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve long-term return objectives within prudent risk constraints.

**Spending Policy and How the Investment Objectives Relate to Spending Policy**

The Organization has a policy of appropriating for distribution each year 5% of the time-weighted average balance of each fund for the previous 12 months. In establishing this policy, the Organization considered the long-term expected return on its endowment. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

**NOTE 11 DONATED MATERIALS AND SERVICES**

During the fiscal year ended June 30, 2015, Casa Esperanza received \$2,242 in donated professional services, \$25,599 in donated materials and supplies, and \$19,674 in contributed use of property. Volunteer hours provided were 3938, which were not valued and recorded as they did not meet the standards. During the fiscal year ended June 30, 2014, Casa Esperanza received \$3,744 in donated professional services, \$16,167 in donated materials and supplies, and \$19,757 in contributed use of property. Volunteer hours provided were 4,284, which were not valued and recorded as they did not meet the standards.

During the fiscal year ended June 30, 2015, the Foundation received \$9,968 in donated professional services and \$36,758 in donated materials and supplies. Volunteer hours provided were 460, which were not valued and recorded as they did not meet the standards. During the fiscal year ended June 30, 2014, the Foundation received \$9,998 in donated professional services and \$0 in donated materials and supplies. Volunteer hours provided were approximately 578, which were not valued and recorded as they did not meet the standards.

**NOTE 12 FUNDRAISING**

Casa Esperanza conducts ongoing fundraising appeals. The Foundation runs the Give Hope a Ride Car Program (GHAR), which generates the great majority of the fundraising expenses.

**CASA ESPERANZA, INC. AND  
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**NOTE 12 FUNDRAISING (CONTINUED)**

For the years ended June 30, 2015 and 2014, the combined fundraising expense before depreciation for both companies was \$509,040 and \$460,805, respectively. Funds raised as a result of these expenses for the years ended June 30, 2015 and 2014 were \$1,001,395 and \$922,716, respectively. This resulted in a combined fundraising ratio of 50% and 49% (fundraising expense divided by fundraising income) for the years ended June 30, 2015 and 2014, respectively.

**NOTE 13 BENEFIT PLANS**

The Organization participates in a defined contribution retirement plan administered by Mutual of America. This plan is for the benefit of all eligible professional and support staff of the Organization who qualify under applicable participation requirements. Employees are allowed to defer up to the maximum allowed by the Internal Revenue Service. Under the terms of the plan, contributions are made under Section 401(k) of the Code and are invested, at the discretion of the plan participant, in one or more of the investment vehicles available under the plan. The Organization contributes between 11% and 19% of eligible employee salary based on longevity. The first 8% is automatically directed to the retirement plan. The employee can direct the remaining percentage towards retirement, medical or dental insurance premiums, or compensation. The Organization has an employee funded Flex plan available for qualifying medical and childcare expenses under Section 125 requirements. Retirement expense for Casa Esperanza for the years ended June 30, 2015 and 2014 totaled \$15,164 and \$19,108, respectively. Retirement expense for the Foundation for the years ended June 30, 2015 and 2014 totaled \$12,073 and \$13,958, respectively.

**NOTE 14 OPERATING LEASES**

Casa Esperanza leases a credit card machine under an operating lease expiring April 2017, a digital copier under an operating lease expiring in April 2018 and a postage meter under an operating lease expiring September 2018. Rental expenses for the years ended June 30, 2015 and 2014 under the operating lease were approximately \$12,400 and \$12,350, respectively. The future remaining lease payments under these agreements are as follows for the years ended June 30:

Year Ending June 30,	Amount
2016	\$ 9,921
2017	9,881
2018	8,146
2019	117
Thereafter	-
Total	<u>\$ 28,065</u>

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**NOTE 14 OPERATING LEASES (CONTINUED)**

The Foundation leases its auto donation lot under an operating lease expiring in September 2016. The Foundation leases a credit card machine under an operating lease expiring April 2017 and digital copiers under an operating lease it shares with Casa Esperanza, Inc. expiring in April 2018. Rental expenses for the years ended June 30, 2015 and 2014 under these leases were approximately \$64,000 and \$61,900, respectively.

The future remaining lease payments under these agreements are as follows for the years ended June 30:

Year Ending June 30,	Amount
2016	\$ 41,920
2017	1,840
2018	1,200
Thereafter	-
Total	\$ 44,960

**NOTE 15 CONCENTRATION OF CREDIT RISK**

The Organization maintains cash depository accounts with various financial institutions. These deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Balances in these accounts may at times exceed the federally insured amount. The Organization did not have deposits in excess of the insured amounts at year end. The Organization has not experienced, and its management believes it is not exposed to, significant credit risk from excess deposits.

**CASA ESPERANZA, INC. AND  
CASA ESPERANZA ENDOWMENT FOUNDATION, INC.  
COMBINING STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2015  
(SEE INDEPENDENT AUDITORS' REPORT)**

<b>ASSETS</b>	Casa Esperanza	Foundation	Elimination	Combined
<b>CURRENT ASSETS</b>				
Cash	\$ 307,420	\$ 329,602	\$ -	\$ 637,022
Investments	-	1,090,512	-	1,090,512
Accounts Receivable, Net of Uncollectible Receivables	18,682	-	-	18,682
Contributions Receivable	7,727	3,002	-	10,729
Grants and Contracts Receivable	68,500	-	-	68,500
Related Party Receivable	1,495	-	(1,495)	-
Inventory	1,166	52,625	-	53,791
Prepaid Expenses	7,013	12,786	-	19,799
Total Current Assets	<u>412,003</u>	<u>1,488,527</u>	<u>(1,495)</u>	<u>1,899,035</u>
<b>PROPERTY AND EQUIPMENT, NET</b>	645,376	2,724	-	648,100
<b>OTHER ASSETS</b>				
Long-Term Grants Receivable, Net of Discount	29,987	-	-	29,987
Long-Term Investments	-	195,028	-	195,028
Land Held for Sale	-	73,599	-	73,599
Charitable Gift Annuity	-	28,151	-	28,151
Contributed Use of Property	295,172	-	-	295,172
Total Other Assets	<u>325,159</u>	<u>296,778</u>	<u>-</u>	<u>621,937</u>
Total Assets	<u>\$ 1,382,538</u>	<u>\$ 1,788,029</u>	<u>\$ (1,495)</u>	<u>\$ 3,169,072</u>
<b>LIABILITIES AND NET ASSETS</b>				
<b>CURRENT LIABILITIES</b>				
Accounts Payable	\$ 12,462	\$ 4,125	\$ -	\$ 16,587
Accrued Wages and Benefits	28,165	14,768	-	42,933
Current Portion of Charitable Gift Annuity	-	1,250	-	1,250
Related Party Payable	-	1,495	(1,495)	-
Other Liabilities	960	-	-	960
Total Current Liabilities	<u>41,587</u>	<u>21,638</u>	<u>(1,495)</u>	<u>61,730</u>
<b>LONG-TERM LIABILITIES</b>				
Charitable Gift Annuity, Net of Current Portion	-	21,486	-	21,486
Total Long-Term Liabilities	<u>-</u>	<u>21,486</u>	<u>-</u>	<u>21,486</u>
Total Liabilities	41,587	43,124	(1,495)	83,216
<b>NET ASSETS</b>				
Unrestricted	859,676	400,516	-	1,260,192
Temporarily Restricted	481,275	1,176,184	-	1,657,459
Permanently Restricted	-	168,205	-	168,205
Total Net Assets	<u>1,340,951</u>	<u>1,744,905</u>	<u>-</u>	<u>3,085,856</u>
Total Liabilities and Net Assets	<u>\$ 1,382,538</u>	<u>\$ 1,788,029</u>	<u>\$ (1,495)</u>	<u>\$ 3,169,072</u>

**CASA ESPERANZA, INC. AND  
CASA ESPERANZA ENDOWMENT FOUNDATION, INC.  
COMBINING STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2014  
(SEE INDEPENDENT AUDITORS' REPORT)**

<b>ASSETS</b>	Casa Esperanza	Foundation	Elimination	Combined
<b>CURRENT ASSETS</b>				
Cash	\$ 207,390	\$ 264,577	\$ -	\$ 471,967
Investments	-	1,091,535	-	1,091,535
Accounts Receivable, Net of Uncollectible Receivables	17,604	-	-	17,604
Contributions Receivable	8,948	3,950	-	12,898
Grants and Contracts Receivable	72,500	-	-	72,500
Inventory	933	39,800	-	40,733
Prepaid Expenses	5,264	9,930	-	15,194
<b>Total Current Assets</b>	<b>312,639</b>	<b>1,409,792</b>	<b>-</b>	<b>1,722,431</b>
<b>PROPERTY AND EQUIPMENT, NET</b>	<b>722,351</b>	<b>6,779</b>	<b>-</b>	<b>729,130</b>
<b>OTHER ASSETS</b>				
Long-Term Grants Receivable, Net of Discount	69,035	-	-	69,035
Long-Term Investments	-	194,744	-	194,744
Land Held for Sale	-	73,599	-	73,599
Charitable Gift Annuity	-	26,782	-	26,782
Contributed Use of Property	296,498	-	-	296,498
<b>Total Other Assets</b>	<b>365,533</b>	<b>295,125</b>	<b>-</b>	<b>660,658</b>
<b>Total Assets</b>	<b>\$ 1,400,523</b>	<b>\$ 1,711,696</b>	<b>\$ -</b>	<b>\$ 3,112,219</b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>CURRENT LIABILITIES</b>				
Accounts Payable	\$ 5,004	\$ 4,717	\$ -	\$ 9,721
Accrued Wages and Benefits	24,853	14,633	-	39,486
Current Portion of Charitable Gift Annuity	-	1,250	-	1,250
Other Liabilities	1,020	-	-	1,020
<b>Total Current Liabilities</b>	<b>30,877</b>	<b>20,600</b>	<b>-</b>	<b>51,477</b>
<b>LONG-TERM LIABILITIES</b>				
Charitable Gift Annuity, Net of Current Portion	-	20,202	-	20,202
<b>Total Long-Term Liabilities</b>	<b>-</b>	<b>20,202</b>	<b>-</b>	<b>20,202</b>
<b>Total Liabilities</b>	<b>30,877</b>	<b>40,802</b>	<b>-</b>	<b>71,679</b>
<b>NET ASSETS</b>				
Unrestricted	841,176	301,362	-	1,142,538
Temporarily Restricted	528,470	1,201,327	-	1,729,797
Permanently Restricted	-	168,205	-	168,205
<b>Total Net Assets</b>	<b>1,369,646</b>	<b>1,670,894</b>	<b>-</b>	<b>3,040,540</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 1,400,523</b>	<b>\$ 1,711,696</b>	<b>\$ -</b>	<b>\$ 3,112,219</b>



**CASA ESPERANZA, INC. AND  
CASA ESPERANZA ENDOWMENT FOUNDATION, INC.  
COMBINING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
YEAR ENDED JUNE 30, 2015  
(SEE INDEPENDENT AUDITORS' REPORT)**

	Unrestricted Casa Esperanza	Temporarily Restricted Casa Esperanza	Unrestricted Foundation	Temporarily Restricted Foundation	Permanently Restricted Foundation	Elimination	Combined
<b>REVENUES, GAINS AND PUBLIC SUPPORT</b>							
Vehicle Donation Program	\$ -	\$ -	\$ 603,352	\$ -	\$ -	\$ -	\$ 603,352
Cost of Sales	-	-	293,581	-	-	-	293,581
<b>GROSS PROFIT</b>	-	-	309,771	-	-	-	309,771
Grants	90,300	51,994	-	-	-	-	142,294
Program Income	260,909	805	-	-	-	-	261,714
Contributions and Support	148,851	6,554	2,933	20,000	-	(61,539)	116,799
Event Income	25,343	-	126,590	246,110	-	-	398,043
Interest Income	31	-	2,006	-	-	-	2,037
Investment Return	-	-	942	20,416	-	-	21,358
Other Income	3,968	-	1,353	-	-	-	5,321
In-Kind Income	47,515	-	46,726	-	-	-	94,241
Satisfaction of Program Restrictions:							
Restrictions Satisfied by Program Payments	106,548	(106,548)	311,669	(311,669)	-	-	-
Total Revenues, Gains and Public Support	683,465	(47,195)	801,990	(25,143)	-	(61,539)	1,351,578
<b>EXPENSES</b>							
Program Services	435,064	-	-	-	-	-	435,064
Fundraising	7,184	-	563,395	-	-	(61,539)	509,040
Management and General	145,742	-	135,385	-	-	-	281,127
Total Expenses Before Depreciation	587,990	-	698,780	-	-	(61,539)	1,225,231
<b>CHANGE IN NET ASSETS BEFORE DEPRECIATION AND OTHER INCOME (LOSS)</b>	95,475	(47,195)	103,210	(25,143)	-	-	126,347
<b>DEPRECIATION</b>	76,975	-	4,056	-	-	-	81,031
<b>CHANGE IN NET ASSETS</b>	18,500	(47,195)	99,154	(25,143)	-	-	45,316
Net Assets - Beginning of Year	841,176	528,470	301,362	1,201,327	168,205	-	3,040,540
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 859,676</u>	<u>\$ 481,275</u>	<u>\$ 400,516</u>	<u>\$ 1,176,184</u>	<u>\$ 168,205</u>	<u>\$ -</u>	<u>\$ 3,085,856</u>

**CASA ESPERANZA, INC. AND  
CASA ESPERANZA ENDOWMENT FOUNDATION, INC.  
COMBINING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
YEAR ENDED JUNE 30, 2014  
(SEE INDEPENDENT AUDITORS' REPORT)**

	Unrestricted Casa Esperanza	Temporarily Restricted Casa Esperanza	Unrestricted Foundation	Temporarily Restricted Foundation	Permanently Restricted Foundation	Elimination	Combined
<b>REVENUES, GAINS AND PUBLIC SUPPORT</b>							
Vehicle Donation Program	\$ -	\$ -	\$ 587,833	\$ -	\$ -	\$ -	\$ 587,833
Cost of Sales	-	-	288,731	-	-	-	288,731
<b>GROSS PROFIT</b>	-	-	299,102	-	-	-	299,102
Grants	87,400	177,500	-	-	-	-	264,900
Program Income	213,416	140	-	-	-	-	213,556
Contributions and Support	156,874	11,405	5,796	-	-	(73,341)	100,734
Event Income	23,003	-	24,440	287,440	-	-	334,883
Interest Income	34	-	495	-	-	-	529
Investment Return	-	-	(5,151)	183,527	-	-	178,376
Other Income	1,797	-	871	-	-	-	2,668
In-Kind Income	39,668	-	9,998	-	-	-	49,666
Satisfaction of Program Restrictions:							
Restrictions Satisfied by Program Payments	77,952	(77,952)	356,678	(356,678)	-	-	-
Total Revenues, Gains and Public Support	600,144	111,093	692,229	114,289	-	(73,341)	1,444,414
<b>EXPENSES</b>							
Program Services	465,451	-	-	-	-	-	465,451
Fundraising	19,222	-	514,924	-	-	(73,341)	460,805
Management and General	142,531	-	150,487	-	-	-	293,018
Total Expenses Before Depreciation	627,204	-	665,411	-	-	(73,341)	1,219,274
<b>CHANGE IN NET ASSETS BEFORE DEPRECIATION AND OTHER INCOME (LOSS)</b>	(27,060)	111,093	26,818	114,289	-	-	225,140
<b>DEPRECIATION</b>	78,806	-	4,117	-	-	-	82,923
<b>CHANGE IN NET ASSETS</b>	(105,866)	111,093	22,701	114,289	-	-	142,217
Net Assets - Beginning of Year	947,042	417,377	278,661	1,087,038	168,205	-	2,898,323
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 841,176</u>	<u>\$ 528,470</u>	<u>\$ 301,362</u>	<u>\$ 1,201,327</u>	<u>\$ 168,205</u>	<u>\$ -</u>	<u>\$ 3,040,540</u>