

**Casa Esperanza, Inc. and
Casa Esperanza Endowment Foundation, Inc.**

COMBINED FINANCIAL STATEMENTS

**June 30, 2022
(With Comparative Totals for 2021)**

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying combined financial statements of Casa Esperanza, Inc. and Casa Esperanza Endowment Foundation, Inc. (collectively referred to hereafter as the Organization), (both not-for-profit organizations), which comprise the combined statement of financial position as of June 30, 2022, and the related combined statements of activities and changes in net assets, 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 combined financial position of the Organization as of June 30, 2022, and the combined changes in its net assets and its combined 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization 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 Combined 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 financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the combined financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Combined 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 auditors' 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 auditing standards generally accepted in the United States of America 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 are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, 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 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 the Organization'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 the Organization'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 Combining Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The accompanying combining 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 combined 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 combined 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 combined financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited the Organization's 2021 combined financial statements, and we expressed an unmodified audit opinion on those audited combined financial statements in our report dated October 26, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited combined financial statements from which it has been derived.

November 15, 2022

PULAKOS CPAs, PC

Pulakos CPAs, PC

**Casa Esperanza, Inc. and
Casa Esperanza Endowment Foundation, Inc.**

COMBINED STATEMENTS OF FINANCIAL POSITION

**June 30, 2022
(With Comparative Totals for 2021)**

	<u>Assets</u>	
	<u>2022</u>	<u>2021</u>
Current assets		
Cash	\$ 877,646	\$ 1,220,864
Investments	1,217,506	1,339,552
Accounts receivable, net of uncollectible receivables	36,085	29,685
Contributions receivable	14,997	17,813
Inventory	50,330	30,006
Prepaid expenses	8,529	8,091
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Total current assets	2,205,093	2,646,011
Property and equipment		
Building and building improvements	2,255,883	2,209,713
Furniture	373,534	373,759
Equipment	73,714	73,714
	<hr/>	<hr/>
	2,703,131	2,657,186
Less: Accumulated depreciation	<hr/> (1,779,390)	<hr/> (1,666,789)
	923,741	990,397
Other assets		
Long-term contribution receivable, net of discount	-	5,000
Long-term investments	209,047	210,477
Land held-for-sale	73,599	73,599
Charitable gift annuity	42,394	45,928
Contributed use of property	283,075	285,153
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Total other assets	608,115	620,157
	<hr/>	<hr/>
Total assets	<u>\$ 3,736,949</u>	<u>\$ 4,256,565</u>

Liabilities and Net Assets

	<u>2022</u>	<u>2021</u>
Current liabilities		
Accounts payable	\$ 15,102	\$ 7,054
Accrued wages and benefits	75,289	65,295
Current portion of charitable gift annuity	1,250	1,250
Refundable advances - PPP loan	-	117,000
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Total current liabilities	91,641	190,599
Long-term liabilities		
Charitable gift annuity, net of current portion	11,872	13,122
	<hr/>	<hr/>
Total long-term liabilities	11,872	13,122
	<hr/>	<hr/>
Total liabilities	103,513	203,721
Net assets		
Without donor restrictions	2,924,248	3,393,614
With donor restrictions	709,188	659,230
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Total net assets	3,633,436	4,052,844
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Total liabilities and net assets	\$ 3,736,949	\$ 4,256,565

**Casa Esperanza, Inc. and
Casa Esperanza Endowment Foundation, Inc.**

COMBINED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

**Year Ended June 30, 2022
(With Comparative Totals for 2021)**

	Without Donor Restrictions	With Donor Restrictions	2022 Total	2021 Total
Revenues, gains and public support				
Vehicle donation program revenue	\$ 334,412	\$ -	\$ 334,412	\$ 516,656
Cost of sales				
Advertising expense	136,598	-	136,598	132,698
Car lot rental expense	60,000	-	60,000	60,000
Auction expense	16,278	-	16,278	24,715
Towing expense	14,230	-	14,230	20,357
Consulting expense	18,304	-	18,304	14,462
Car sales and other expenses	21,073	-	21,073	114,152
Total cost of sales	<u>266,483</u>	<u>-</u>	<u>266,483</u>	<u>366,384</u>
Gross profit on vehicle sales	67,929	-	67,929	150,272
Contributions and grants	317,603	179,635	497,238	413,819
Program income	307,434	-	307,434	207,393
Event income	51,131	-	51,131	22,000
Investment (loss) income, net	(221,993)	-	(221,993)	384,651
In-kind income	54,435	-	54,435	33,203
Net assets released from restriction	<u>129,677</u>	<u>(129,677)</u>	<u>-</u>	<u>-</u>
Total support and revenues	706,216	49,958	756,174	1,211,338
Expenses:				
Program services	569,937	-	569,937	422,806
Fundraising	158,682	-	158,682	181,724
Management and general	<u>334,362</u>	<u>-</u>	<u>334,362</u>	<u>308,384</u>
Total expenses before depreciation	<u>1,062,981</u>	<u>-</u>	<u>1,062,981</u>	<u>912,914</u>
Change in net assets before depreciation	(356,765)	49,958	(306,807)	298,424
Depreciation	<u>112,601</u>	<u>-</u>	<u>112,601</u>	<u>115,693</u>
Change in net assets	(469,366)	49,958	(419,408)	182,731
Net assets, beginning of year	<u>3,393,614</u>	<u>659,230</u>	<u>4,052,844</u>	<u>3,870,113</u>
Net assets, end of year	<u>\$ 2,924,248</u>	<u>\$ 709,188</u>	<u>\$ 3,633,436</u>	<u>\$ 4,052,844</u>

See Notes to Combined Financial Statements and Independent Auditors' Report.

**Casa Esperanza, Inc. and
Casa Esperanza Endowment Foundation, Inc.**
COMBINED STATEMENTS OF FUNCTIONAL EXPENSES
Year Ended June 30, 2022
(With Comparative Totals for 2021)

	<u>Program Services</u>		<u>Supporting Services</u>			<u>2022 Total</u>	<u>2021 Total</u>
	<u>Patient Lodging</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total Supporting Services</u>			
Salaries and wages	\$ 185,358	\$ 114,347	\$ 214,772	\$ 329,119	\$ 514,477	\$ 511,137	
Professional fees	77,974	7,487	22,883	30,370	108,344	80,290	
Repairs and maintenance	82,668	-	55	55	82,723	8,344	
Benefits	28,200	15,994	27,001	42,995	71,195	61,421	
Utilities	43,203	1,055	5,741	6,796	49,999	54,720	
Payroll taxes	15,245	8,870	17,330	26,200	41,445	45,636	
In-kind expenses	34,913	-	-	-	34,913	35,152	
Insurance	18,949	258	15,610	15,868	34,817	33,469	
Office expenses	9,385	2,656	22,529	25,185	34,570	34,212	
Resident assistance	30,479	-	-	-	30,479	16,880	
Other expenses	20,624	-	423	423	21,047	2,945	
Resident supplies	18,436	-	-	-	18,436	9,611	
Staff and donor recognition	2,676	-	3,718	3,718	6,394	5,971	
Fundraising expenses	-	6,135	-	6,135	6,135	8,732	
Printing and publications	558	1,071	854	1,925	2,483	1,964	
Board expenses	-	-	1,898	1,898	1,898	183	
Bad debt expenses	708	715	-	715	1,423	320	
Conferences and meetings	170	94	675	769	939	534	
Travel and mileage	23	-	873	873	896	794	
Advertising and promotions	368	-	-	-	368	599	
Total expenses before depreciation	569,937	158,682	334,362	493,044	1,062,981	912,914	
Depreciation	112,325	-	276	276	112,601	115,693	
Total functional expenses	<u>\$ 682,262</u>	<u>\$ 158,682</u>	<u>\$ 334,638</u>	<u>\$ 493,320</u>	<u>\$ 1,175,582</u>	<u>\$ 1,028,607</u>	

See Notes to Combined Financial Statements and Independent Auditors' Report.

**Casa Esperanza, Inc. and
Casa Esperanza Endowment Foundation, Inc.**

COMBINED STATEMENTS OF CASH FLOWS

**Year Ended June 30, 2022
(With Comparative Totals for 2021)**

	2022	2021
Operating activities		
Change in net assets	\$ (419,408)	\$ 182,731
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities		
Depreciation	112,601	115,693
Contributed use of property	2,078	1,949
Net realized and unrealized (gain) loss on investments	268,783	(342,717)
Changes in operating assets and liabilities		
Accounts receivable, net	(6,400)	3,254
Contributions receivable	7,816	6,626
Grants and contracts receivable	-	210
Inventory	(20,324)	63,040
Prepaid expenses	(438)	7,837
Accounts payable	8,048	(24,245)
Accrued wages and benefits	9,994	(6,324)
Refundable advances - PPP loan	(117,000)	4,700
Liabilities under charitable gift annuity	(1,250)	(8,073)
	(155,500)	4,681
Cash (used) provided by operating activities		
Investing activities		
Purchase of investments and reinvestment of dividends and interest	(141,773)	(206,329)
Proceeds from sale of investments	-	411,632
Purchase of property and equipment	(45,945)	-
	(187,718)	205,303
Cash (used) provided by investing activities		
Change in cash and cash equivalents	(343,218)	209,984
Cash and cash equivalents, beginning of year	1,220,864	1,010,880
Cash and cash equivalents, end of year	\$ 877,646	\$ 1,220,864

**Casa Esperanza, Inc. and
Casa Esperanza Endowment Foundation, Inc.**
COMBINED NOTES TO FINANCIAL STATEMENTS

**June 30, 2022
(With Comparative Totals for 2021)**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Definition of Reporting Entity

Casa Esperanza, Inc. (Casa), a nonprofit organization, was incorporated in the State of New Mexico on April 9, 1987. The stated mission of Casa is to provide a facility offering temporary lodging for cancer patients, those with other serious medical needs, and their family members while the patient is undergoing diagnostic, treatment or follow up care in an Albuquerque health care facility. Casa 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 by assisting it in carrying out its charitable purpose. The Foundation serves as a support organization for Casa. 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.

In addition to providing low-cost lodging to cancer patients, those with other serious medical needs, and their families, Casa 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 to assist patients and their families in the best way possible.

Patient Lodging

This program provides low-cost lodging to patients and their families. Casa, 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 room 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.**
COMBINED NOTES TO FINANCIAL STATEMENTS

**June 30, 2022
(With Comparative Totals for 2021)**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Definition of Reporting Entity – Continued

Patient Lodging – Continued

Casa Esperanza, Inc. and Casa Esperanza Endowment Foundation, Inc. (collectively referred to hereafter as 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 and an additional three years with a Board vote.

Estimates

The preparation of combined 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 combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Combined Financial Statement Presentation

The assets, liabilities and results of activities of Casa and the Foundation are combined in the accompanying combined financial statements and have been collectively referred to as "the Organization." All significant intercompany accounts and transactions are eliminated in the combination. These combined statements are not those of a separate legal entity. Certain reclassifications have been made to the 2021 combined financial statements to conform with the 2022 presentation.

Cash

For purposes of preparing the combined 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.

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 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.**

COMBINED NOTES TO FINANCIAL STATEMENTS

**June 30, 2022
(With Comparative Totals for 2021)**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Accounts Receivable

Accounts receivable represent the amount billed but uncollected for services provided to 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. As of June 30, 2022 and 2021, respectively, the allowance for uncollectible receivables was \$1,516.

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. Contributions receivable are reflected at their discounted present value of estimated future cash flows. Contributions receivable 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. Management believes all amounts are collectible and therefore, no allowance has been recorded as of June 30, 2022 and 2021, respectively.

Grants and Contracts Receivable

Receivable balances represent the amount expended during the grant period but reimbursed by the grantor after year-end. Management believes all such amounts are collectible and therefore, no allowance is deemed necessary as of June 30, 2022 and 2021, respectively.

Inventory

Inventory, which primarily consists of donated vehicles for sale, is 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. Depreciation expense for the years ended June 30, 2022 and 2021 was \$112,601 and \$115,693, respectively.

**Casa Esperanza, Inc. and
Casa Esperanza Endowment Foundation, Inc.**
COMBINED NOTES TO FINANCIAL STATEMENTS

**June 30, 2022
(With Comparative Totals for 2021)**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Impairment of Long-Lived Assets

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. There was no impairment of long-lived assets at June 30, 2022 and 2021, respectively.

Investments

Investments consist primarily of mutual funds, corporate and government bonds, stocks and exchange traded funds, and are reported at their fair values.

The Organization carries its investments in marketable securities with readily determinable fair values and all investments in debt securities at their 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. Investment expenses were \$10,989 and \$9,831 for the years ended June 30, 2022 and 2021, respectively.

Net Assets

The Organization classifies net assets and revenues, expenses, gains and losses based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and the changes therein are classified and reported as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the Board of Directors.

**Casa Esperanza, Inc. and
Casa Esperanza Endowment Foundation, Inc.**
COMBINED NOTES TO FINANCIAL STATEMENTS

**June 30, 2022
(With Comparative Totals for 2021)**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Net Assets – Continued

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Revenue Recognition

Contributions and grants received are recorded without donor restrictions, or with donor restrictions, depending on the existence or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions 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 net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the combined statements of activities and changes in net assets as net assets released from restrictions.

Program income represents room rental income collected from residents and third-party payers such as Medicaid and independent companies. Investment income includes investments and interest income from investment funds, net of investment expenses 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 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.

Donated Assets and Services

Donated assets and services are recorded at their estimated fair values as of the date of contribution and capitalized if exceeding the Organization's threshold policy. Contributions of services are recognized in the combined financial statements if the services received enhance or create non-financial assets, require specialized skills and are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Some services are provided by volunteers who perform a variety of tasks that benefit the Organization but are not recorded, as they do not meet the above criteria.

**Casa Esperanza, Inc. and
Casa Esperanza Endowment Foundation, Inc.**
COMBINED NOTES TO FINANCIAL STATEMENTS

**June 30, 2022
(With Comparative Totals for 2021)**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Expense Allocation

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

Advertising Costs

Advertising costs are expensed as incurred. Advertising expense was \$136,598 and \$132,698 for the years ended June 30, 2022 and 2021, 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 combined statements of activities and changes in net assets for the years ended June 30, 2022 and 2021, respectively.

Income Taxes

Both Casa and the Foundation are nonprofit organizations and are exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and are not classified by the Internal Revenue Service as private foundations.

The Organization is a nonprofit charitable corporation and has been recognized as tax-exempt under Section 501(c)(3) of the Internal Revenue Code. The Organization has adopted accounting principles generally accepted in the United States of America, as they relate to uncertain tax positions, and has evaluated its tax positions taken for open tax years. Management believes that the activities of the Organization are within their tax-exempt purpose, and that there are no uncertain tax positions that require disclosure or recognition in the combined financial statements. There were no interest or penalties recorded as of June 30, 2022 and 2021, respectively.

Subsequent Events

The Organization has evaluated all events occurring subsequent to June 30, 2022 and through November 15, 2022, which is the date that the combined financial statements were issued and does not believe that any events occurring during this period require either recognition or disclosure in the accompanying combined financial statements.

**Casa Esperanza, Inc. and
Casa Esperanza Endowment Foundation, Inc.**
COMBINED NOTES TO FINANCIAL STATEMENTS

**June 30, 2022
(With Comparative Totals for 2021)**

NOTE 2 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Cash	\$ 877,646	\$ 1,220,864
Investments	1,426,553	1,550,029
Receivables, net	<u>51,082</u>	<u>52,498</u>
Total financial assets	2,355,281	2,823,391
Financial assets not available for use within one year:		
Net assets with donor restrictions	709,188	659,230
Less: net assets with donor restrictions expected to be met in less than one year	(257,908)	(200,872)
Board designated net assets	<u>1,222,305</u>	<u>1,517,024</u>
Total financial assets not available for use within one year	<u>1,673,585</u>	<u>1,975,382</u>
Financial assets available to meet cash needs for general expenditure within one year from June 30, 2022 and 2021	<u>\$ 681,696</u>	<u>\$ 848,009</u>

The Organization manages its cash flow and liquidity on an on-going basis to ensure that sufficient funds are available to cover current operational needs. The Organization has a goal to maintain financial assets, which consist of cash and investments on hand to meet 60 days of normal operating expenses. The Organization structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. As part of its liquidity plan, the Organization is continuously evaluating the amount of cash on hand and expected to be collected within 30 days, against the financial obligations. Although board designated net assets are not intended to be used for current operational needs, the Organization's Board of Directors has the ability to re-appropriate these funds at their discretion.

**Casa Esperanza, Inc. and
Casa Esperanza Endowment Foundation, Inc.**

COMBINED NOTES TO FINANCIAL STATEMENTS

**June 30, 2022
(With Comparative Totals for 2021)**

NOTE 3 – CHARITABLE GIFT ANNUITY

The Organization is 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 of \$1,250, in equal quarterly payments of \$313. 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. At June 30, 2022 and 2021, the fair market value of the trust assets were \$42,394 and \$45,928, respectively. The related liability, which is recorded at the estimated present value of future cash distributions to the income beneficiaries, was \$13,122 and \$14,372 at June 30, 2022 and 2021, respectively.

NOTE 4 – FAIR VALUE MEASUREMENTS

Accounting Standards Codification Topic 820 establishes 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 and liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 – Unadjusted quoted prices in active markets for identical investments that the Organization has the ability to access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the investment, either directly or indirectly. These inputs may include quoted prices for the identical instrument in an inactive market, inputs other than observable quoted prices, or inputs derived principally from or corroborated by observable market data by correlation or other means.

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

The asset's or liability's fair value measurement level within 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.

**Casa Esperanza, Inc. and
Casa Esperanza Endowment Foundation, Inc.**
COMBINED NOTES TO FINANCIAL STATEMENTS

June 30, 2022
(With Comparative Totals for 2021)

NOTE 4 – FAIR VALUE MEASUREMENTS – CONTINUED

The following table presents the fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of June 30, 2022:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds				
Fixed income	\$ 408,431	\$ -	\$ -	\$ 408,431
Large cap	116,988	-	-	116,988
Mid-small cap	100,049	-	-	100,049
Foreign	85,445	-	-	85,445
Absolute return/ multi-class	51,909	-	-	51,909
Bank loan	32,545	-	-	32,545
Short term	32,385	-	-	32,385
Exchange traded funds				
Large cap	277,121	-	-	277,121
Foreign exchange	122,643	-	-	122,643
Mid cap	125,062	-	-	125,062
Preferred stock	27,739	-	-	27,739
Real estate	36,333	-	-	36,333
Fixed income bonds	11,455	-	-	11,455
Land held-for-sale	-	73,599	-	73,599
Albuquerque Community Foundation funds	-	-	40,842	40,842
Total assets at fair value	<u>\$ 1,428,105</u>	<u>\$ 73,599</u>	<u>\$ 40,842</u>	<u>\$ 1,542,546</u>
Charitable gift annuity	<u>\$ -</u>	<u>\$ (13,122)</u>	<u>\$ -</u>	<u>\$ (13,122)</u>
Total liabilities at fair value	<u>\$ -</u>	<u>\$ (13,122)</u>	<u>\$ -</u>	<u>\$ (13,122)</u>

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NOTE 4 – FAIR VALUE MEASUREMENTS – CONTINUED

The following table presents the fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of June 30, 2021:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds				
Fixed income	\$ 455,059	\$ -	\$ -	\$ 455,059
Large cap	141,212	-	-	141,212
Mid-small cap	143,574	-	-	143,574
Foreign	100,331	-	-	100,331
Absolute return/ multi-class	67,263	-	-	67,263
Bank loan	33,698	-	-	33,698
Short term	33,952	-	-	33,952
Exchange traded funds				
Large cap	254,016	-	-	254,016
Foreign exchange	150,507	-	-	150,507
Mid cap	142,747	-	-	142,747
Preferred stock	15,962	-	-	15,962
Fixed income bonds	15,364	-	-	15,364
Land held-for-sale	-	73,599	-	73,599
Albuquerque Community Foundation funds	-	-	42,272	42,272
Total assets at fair value	<u>\$ 1,553,685</u>	<u>\$ 73,599</u>	<u>\$ 42,272</u>	<u>\$ 1,669,556</u>
Charitable gift annuity	<u>\$ -</u>	<u>\$ (14,372)</u>	<u>\$ -</u>	<u>\$ (14,372)</u>
Total liabilities at fair value	<u>\$ -</u>	<u>\$ (14,372)</u>	<u>\$ -</u>	<u>\$ (14,372)</u>

The following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used at June 30, 2020.

Mutual funds, exchange traded funds, fixed income bonds: Valued at using quoted and observable market prices.

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COMBINED NOTES TO FINANCIAL STATEMENTS

**June 30, 2022
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NOTE 4 – FAIR VALUE MEASUREMENTS – CONTINUED

Land held-for-sale: Valued at fair market value of donated price, adjusted for assessments as determined by management based on the value of similar comparable properties.

Albuquerque Community Foundation funds: Valued at net realizable value, as determined by the quoted prices as provided by the investment manager, which pools all funds and allocates investment activity to each fund accordingly.

Charitable gift annuity: Valued at the present value of expected future payments using a discount rate of 2%.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Level 3 Investments

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, 2022 and 2021.

	2022	2021
Balance – beginning of year	\$ 42,272	\$ 32,625
Dividend income	1,357	671
Net unrealized (loss) gain	(2,343)	9,001
Investment management fees	(444)	(25)
Balance – end of year	\$ 40,842	\$ 42,272

NOTE 5 – 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 a amortization rate of 9.25% over the life of the lease.

**Casa Esperanza, Inc. and
Casa Esperanza Endowment Foundation, Inc.**

COMBINED NOTES TO FINANCIAL STATEMENTS

**June 30, 2022
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NOTE 5 – CONTRIBUTED USE OF PROPERTY – CONTINUED

The amount receivable for the years ended June 30, is as follows:

2023	\$	2,216
2024		2,363
2025		2,520
2026		2,687
2027		2,866
Thereafter		<u>270,423</u>
Total contribution receivable	\$	<u>283,075</u>

The amount to be recorded as income for the future following fiscal years is as follows:

2023	\$	18,784
2024		18,637
2025		18,480
2026		18,313
2027		18,134
Thereafter		<u>359,586</u>
Total contribution expected	\$	<u>451,934</u>

In each year, the total of these two amounts is offset by recording an in-kind occupancy expense in the amount of \$21,000 in 2022 and 2021, respectively.

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

With donor restriction net assets consisted of the following at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specified purpose:		
Assets restricted under land lease	\$ 283,446	\$ 285,274
Restricted for time	39,272	37,279
Restricted for purpose	<u>218,265</u>	<u>168,472</u>
	540,983	491,025

**Casa Esperanza, Inc. and
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COMBINED NOTES TO FINANCIAL STATEMENTS

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(With Comparative Totals for 2021)**

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS – CONTINUED

	2022	2021
Endowments – subject to endowment spending policy/appropriation		
Storr endowment	100,000	100,000
2K2K endowment	68,205	68,205
	168,205	168,205
Total	\$ 709,188	\$ 659,230

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended June 30, 2021 and 2020:

	2022	2021
Casa Esperanza, Inc.		
Satisfaction of purpose restriction or passage of time	\$ 129,677	\$ 75,748

NOTE 7 – ENDOWMENT

The Uniform Prudent Management of Institutional Funds Act (UPMIFA) provides industry guidance to organizations similar to the Organization. The State of New Mexico adopted UPMIFA effective July 1, 2009. The Organization has determined that certain assets meet the definition of endowment funds under UPMIFA.

Endowment Investment and Spending Policies

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

**Casa Esperanza, Inc. and
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COMBINED NOTES TO FINANCIAL STATEMENTS

**June 30, 2022
(With Comparative Totals for 2021)**

NOTE 7 – ENDOWMENT – CONTINUED

Endowment Investment and Spending Policies – Continued

In determining the prudent amount to distribute in a given year, the Organization considers the donor's intent, the purpose of the fund as stated in the fund agreement, and relevant economic factors. The Organization's current spending policy with regards to its endowments is determined annually by the Board of Directors.

The investment policies establish a return objective through diversification of asset classes. The current long-term return objective is the rate of inflation plus spending, net of any investment fees. To satisfy its long-term rate of return objectives, the Organization relies on a total return strategy in which investment returns may be 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 its long-term return objectives within prudent risk parameters.

The Organization's endowment funds consist of restricted and board-designated funds. Board designated funds totaled \$1,222,305 and \$1,517,024 for the years ended June 30, 2022 and 2021, respectively, and are included in net assets without donor restrictions in the accompanying combined financial statements. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

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 a perpetual duration. In accordance with accounting principles generally accepted in the United State of America, deficiencies of this nature, when applicable, are reported in unrestricted net assets. These deficiencies, when applicable, result from unfavorable market fluctuations.

Return Objective 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.

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.

**Casa Esperanza, Inc. and
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COMBINED NOTES TO FINANCIAL STATEMENTS

**June 30, 2022
(With Comparative Totals for 2021)**

NOTE 7 – ENDOWMENT – CONTINUED

Spending Policy and Who the Investment Objectives Relate to Spending Policy

The Organization has a policy of appropriating for distribution each year 4% 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.

Changes in Endowment Net Assets for the Years Ending June 30, 2022 and 2021

	Without Donor Restrictions – Board Designated	With Donor Restrictions	Total
Endowment net assets, June 30, 2020	\$ 1,222,477	\$ 168,205	\$ 1,390,682
Investment return			
Interest income	49,506	-	49,506
Appreciation	327,527	-	327,527
Total investment return	377,033	-	377,033
Appropriation for expenditure	(82,486)	-	(82,486)
Endowment net assets, June 30, 2021	1,517,024	168,205	1,685,229
Investment return			
Interest income	55,100	-	55,100
Depreciation	(262,136)	-	(262,136)
Total investment return	(207,036)	-	(207,036)
Appropriation for expenditure	(87,683)	-	(87,683)
Endowment net assets, June 30, 2022	\$ 1,222,305	\$ 168,205	\$ 1,390,510

**Casa Esperanza, Inc. and
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COMBINED NOTES TO FINANCIAL STATEMENTS

**June 30, 2022
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NOTE 8 – PAYCHECK PROTECTION PROGRAM (PPP) LOAN

On April 20, 2020, both Casa and the Foundation entered into Loan Agreements and Promissory Notes (SBA Loan) pursuant to the Paycheck Protection Program (PPP) under the recently enacted Coronavirus Aid, Relief, and Economic Security Act (CARES Act) administered by the U.S. Small Business Administration. Casa received total loan proceeds of \$59,700 and the Foundation received total loan proceeds of \$52,600, for total proceeds received of \$112,300. The loans were scheduled to mature on April 20, 2022, carry a 1.00% interest rate, and are subject to the terms and conditions applicable to loans administered by the U.S. Small Business Administration under the CARES Act.

Casa and the Foundation have elected to account for these transactions as conditional contributions, pursuant to Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-605, Financial Statements for Not-For-Profit Organizations – Revenue Recognition. In March 2021, Casa and the Foundation received formal notice of forgiveness from the lender, and accordingly, recorded the total loan proceeds as contribution revenue at that time, which is included in contributions and support in the combined statements of activities and changes in net assets in 2021.

In March 2021, both Casa and the Foundation entered into SBA Loans pursuant to the Paycheck Protection Program 2 (PPP) under the enacted CARES Act administered by the U.S. Small Business Administration, in which Casa received total loan proceeds of \$61,395 and the Foundation received total loan proceeds of \$55,605, for total loan proceeds of \$117,000. These proceeds are recorded as a liability in the accompanying combined statements of financial position until such time the loans are forgiven. In July 2021, Casa and the Foundation received formal notice of forgiveness from the lender for both loans and accordingly, recorded the total loan proceeds as contribution revenue at that time, which is included in contributions and support in the combined statements of activities and changes in net assets in 2022.

NOTE 9 – DONATED MATERIALS AND SERVICES

During the fiscal years ended June 30, 2022 and 2021, Casa received \$54,040 and \$33,203, respectively, of in-kind contributions, which consisted of donated professional services, materials and contributed use of property. During 2022 and 2021, volunteer hours provided were 1,101 and 1,700, which were not valued and recorded, as they did not meet the standards for recording as in-kind contributions. During the fiscal years ended June 30, 2022 and 2021, the Foundation received \$395 and zero of in-kind contributions, which consisted of donated materials and supplies. During 2022 and 2021, volunteer hours provided were 74.5 and 35, which were not valued and recorded, as they did not meet the standards for recording as in-kind contributions.

**Casa Esperanza, Inc. and
Casa Esperanza Endowment Foundation, Inc.**
COMBINED NOTES TO FINANCIAL STATEMENTS

**June 30, 2022
(With Comparative Totals for 2021)**

NOTE 10 – FUNDRAISING

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

For the years ended June 30, 2022 and 2021, the combined fundraising expense before depreciation for both companies was \$158,682 and \$181,724, respectively. Funds raised as a result of these expenses for the years ended June 30, 2022 and 2021 were \$882,781 and \$952,475, respectively. This resulted in a combined fundraising ratio of 18% and 19% (fundraising expense divided by fundraising income) for the years ended June 30, 2022 and 2021, respectively.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

Retirement Plan

The Organization participates in a defined contribution retirement plan (the Plan) administered by Mass Mutual. 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 matches employee contributions up to 3.5% of their annual salary. The Organization has an employee funded Flex plan available for qualifying medical and childcare expenses under Section 125 requirements. Retirement expense for Casa for the years ended June 30, 2022 and 2021, total \$7,112 and \$7,870, respectively. Retirement expense for the Foundation for the years ended June 30, 2022 and 2021 totaled \$6,660 and \$7,784, respectively.

Operating Leases

The Organization leases various pieces of office equipment under operating lease arrangements on a month-to-month basis. The Organization also leases its auto donation lot on a month-to-month basis. Total rent expense under these leases was \$71,162 and \$67,296 in 2022 and 2021, respectively.

COVID-19 Pandemic

At a national and international level, government restrictions on travel and the behavioral changes by the public due to COVID-19 outbreaks across the globe are negatively impacting various industries and the world markets. While the disruption is expected to be temporary, there is considerable uncertainty around the duration and ultimate financial impact of these actions.

**Casa Esperanza, Inc. and
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COMBINED NOTES TO FINANCIAL STATEMENTS

**June 30, 2022
(With Comparative Totals for 2021)**

NOTE 12 – FUTURE ACCOUNTING PRONOUNCEMENTS

Effective for its annual combined financial statements for 2023, the Organization is subject to new accounting standards issued by FASB that will require significant changes in accounting for operating leases under which the Organization is lessee. Upon adoption, among other effects, the Organization will be required to record assets and liabilities for all operating lease obligations with terms of 12 months or greater. These changes will entail certain retrospective adjustments. The qualitative effects on the Organization's future combined financial statements of these changes and related retrospective adjustments have not yet been determined.

COMBINING SUPPLEMENTARY INFORMATION

**Casa Esperanza, Inc. and
Casa Esperanza Endowment Foundation, Inc.
COMBINING STATEMENT OF FINANCIAL POSITION
June 30, 2022**

	<u>Casa Esperanza</u>	<u>Foundation</u>	<u>Elimination</u>	<u>Combined</u>
<u>Assets</u>				
Current assets				
Cash	\$ 806,905	\$ 70,741	\$ -	\$ 877,646
Investments	-	1,217,506	-	1,217,506
Accounts receivable, net of uncollectible receivables	31,460	4,625	-	36,085
Contributions receivable	4,075	10,922	-	14,997
Inventory	480	49,850	-	50,330
Prepaid expenses	2,175	6,354	-	8,529
Total current assets	845,095	1,359,998	-	2,205,093
Property and equipment, net	922,913	828	-	923,741
Other assets				
Long-term investments	-	209,047	-	209,047
Land held-for-sale	-	73,599	-	73,599
Charitable gift annuity	-	42,394	-	42,394
Contributed use of property	283,075	-	-	283,075
Total other assets	283,075	325,040	-	608,115
Total assets	<u>\$ 2,051,083</u>	<u>\$ 1,685,866</u>	<u>\$ -</u>	<u>\$ 3,736,949</u>
<u>Liabilities and Net Assets</u>				
Current liabilities				
Accounts payable	\$ 10,901	\$ 4,201	\$ -	\$ 15,102
Accrued wages and benefits	50,217	25,072	-	75,289
Current portion of charitable gift annuity	-	1,250	-	1,250
Total current liabilities	61,118	30,523	-	91,641
Long-term liabilities				
Charitable gift annuity, net of current portion	-	11,872	-	11,872
Total long-term liabilities	-	11,872	-	11,872
Total liabilities	61,118	42,395	-	103,513
Net assets				
Without donor restrictions	1,486,261	1,437,987	-	2,924,248
With donor restrictions	503,704	205,484	-	709,188
Total net assets	1,989,965	1,643,471	-	3,633,436
Total liabilities and net assets	<u>\$ 2,051,083</u>	<u>\$ 1,685,866</u>	<u>\$ -</u>	<u>\$ 3,736,949</u>

See Independent Auditors' Report.

**Casa Esperanza, Inc. and
Casa Esperanza Endowment Foundation, Inc.**
COMBINING STATEMENT OF FINANCIAL POSITION
June 30, 2021

	<u>Casa Esperanza</u>	<u>Foundation</u>	<u>Elimination</u>	<u>Combined</u>
<u>Assets</u>				
Current assets				
Cash	\$ 738,294	\$ 482,570	\$ -	\$ 1,220,864
Investments	-	1,339,552	-	1,339,552
Accounts receivable, net of uncollectible receivables	29,685	-	-	29,685
Contributions receivable	9,205	8,608	-	17,813
Inventory	781	29,225	-	30,006
Prepaid expenses	1,801	6,290	-	8,091
Total current assets	<u>779,766</u>	<u>1,866,245</u>	<u>-</u>	<u>2,646,011</u>
Property and equipment, net	989,293	1,104	-	990,397
Other assets				
Long-term contribution receivable, net of discount	-	5,000	-	5,000
Long-term investments	-	210,477	-	210,477
Land held-for-sale	-	73,599	-	73,599
Charitable gift annuity	-	45,928	-	45,928
Contributed use of property	285,153	-	-	285,153
Total other assets	<u>285,153</u>	<u>335,004</u>	<u>-</u>	<u>620,157</u>
Total assets	<u>\$ 2,054,212</u>	<u>\$ 2,202,353</u>	<u>\$ -</u>	<u>\$ 4,256,565</u>
<u>Liabilities and Net Assets</u>				
Current liabilities				
Accounts payable	\$ 4,371	\$ 2,683	\$ -	\$ 7,054
Accrued wages and benefits	41,025	24,270	-	65,295
Current portion of charitable gift annuity	-	1,250	-	1,250
Refundable advances - PPP loan	61,395	55,605	-	117,000
Total current liabilities	<u>106,791</u>	<u>83,808</u>	<u>-</u>	<u>190,599</u>
Long-term liabilities				
Charitable gift annuity, net of current portion	-	13,122	-	13,122
Total long-term liabilities	<u>-</u>	<u>13,122</u>	<u>-</u>	<u>13,122</u>
Total liabilities	<u>106,791</u>	<u>96,930</u>	<u>-</u>	<u>203,721</u>
Net assets				
Without donor restrictions	1,493,675	1,899,939	-	3,393,614
With donor restrictions	453,746	205,484	-	659,230
Total net assets	<u>1,947,421</u>	<u>2,105,423</u>	<u>-</u>	<u>4,052,844</u>
Total liabilities and net assets	<u>\$ 2,054,212</u>	<u>\$ 2,202,353</u>	<u>\$ -</u>	<u>\$ 4,256,565</u>

See Independent Auditors' Report.

**Casa Esperanza, Inc. and
Casa Esperanza Endowment Foundation, Inc.**

COMBINING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended June 30, 2022

	Without Donor Restrictions Casa Esperanza	With Donor Restrictions Casa Esperanza	Without Donor Restrictions Foundation	With Donor Restrictions Foundation	Elimination	Combined
Revenues, gains and public support						
Vehicle donation program revenue	\$ -	\$ -	\$ 334,412	\$ -	\$ -	\$ 334,412
Cost of sales						
Advertising expense	-	-	136,598	-	-	136,598
Car lot rental expense	-	-	60,000	-	-	60,000
Auction expense	-	-	16,278	-	-	16,278
Towing expense	-	-	14,230	-	-	14,230
Consulting expense	-	-	18,304	-	-	18,304
Car sales and other expenses	-	-	21,073	-	-	21,073
Total cost of sales	-	-	266,483	-	-	266,483
Gross profit on vehicle sales	-	-	67,929	-	-	67,929
Contributions and grants	343,070	179,635	56,104	-	(81,571)	497,238
Program income	307,434	-	-	-	-	307,434
Event income	24,450	-	26,681	-	-	51,131
Investment income (loss), net	21	-	(222,014)	-	-	(221,993)
In-kind income	54,040	-	395	-	-	54,435
Net assets released from restriction	129,677	(129,677)	-	-	-	-
Total revenues, gains and public support	858,692	49,958	(70,905)	-	(81,571)	756,174
Expenses						
Program services	568,223	-	1,714	-	-	569,937
Fundraising	18,503	-	221,750	-	(81,571)	158,682
Management and general	167,055	-	167,307	-	-	334,362
Total expenses before depreciation	753,781	-	390,771	-	(81,571)	1,062,981
Change in net assets before depreciation	104,911	49,958	(461,676)	-	-	(306,807)
Depreciation	112,325	-	276	-	-	112,601
Changes in net assets	(7,414)	49,958	(461,952)	-	-	(419,408)
Net assets - beginning of year	1,493,675	453,746	1,899,939	205,484	-	4,052,844
Net assets - end of year	\$ 1,486,261	\$ 503,704	\$ 1,437,987	\$ 205,484	\$ -	\$ 3,633,436

See Independent Auditors' Report.

**Casa Esperanza, Inc. and
Casa Esperanza Endowment Foundation, Inc.**

COMBINING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended June 30, 2021

	Without Donor Restrictions Casa Esperanza	With Donor Restrictions Casa Esperanza	Without Donor Restrictions Foundation	With Donor Restrictions Foundation	Elimination	Combined
Revenues, gains and public support						
Vehicle donation program revenue	\$ -	\$ -	\$ 516,656	\$ -	\$ -	\$ 516,656
Cost of sales						
Advertising expense	-	-	132,698	-	-	132,698
Car lot rental expense	-	-	60,000	-	-	60,000
Auction expense	-	-	20,357	-	-	20,357
Towing expense	-	-	24,715	-	-	24,715
Consulting expense	-	-	14,462	-	-	14,462
Car sales and other expenses	-	-	114,152	-	-	114,152
Total cost of sales	-	-	366,384	-	-	366,384
Gross profit on vehicle sales	-	-	150,272	-	-	150,272
Contributions and grants	328,823	71,482	83,581	-	(70,067)	413,819
Program income	207,393	-	-	-	-	207,393
Event income	22,000	-	-	-	-	22,000
Investment income, net	48	-	384,603	-	-	384,651
In-kind income	33,203	-	-	-	-	33,203
Net assets released from restriction	75,748	(75,748)	-	-	-	-
Total revenues, gains and public support	667,215	(4,266)	618,456	-	(70,067)	1,211,338
Expenses						
Program services	422,806	-	-	-	-	422,806
Fundraising	19,328	-	232,463	-	(70,067)	181,724
Management and general	157,976	-	150,408	-	-	308,384
Total expenses before depreciation	600,110	-	382,871	-	(70,067)	912,914
Change in net assets before depreciation	67,105	(4,266)	235,585	-	-	298,424
Depreciation	115,417	-	276	-	-	115,693
Changes in net assets	(48,312)	(4,266)	235,309	-	-	182,731
Net assets - beginning of year	1,541,987	458,012	1,664,630	205,484	-	3,870,113
Net assets - end of year	\$ 1,493,675	\$ 453,746	\$ 1,899,939	\$ 205,484	\$ -	\$ 4,052,844

See Independent Auditors' Report.