Casa De Amparo
Audited Financial Statements
June 30, 2023

Presented by
Pinnacle Accounting & Financial Services
A Professional Corporation

Casa De Amparo
Audited Financial Statements
Year Ended June 30, 2023

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Pinnacle Accounting
& FINANCIAL SERVICES

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Casa De Amparo
San Marcos, CA

Opinion

We have audited the accompanying financial statements of Casa De Amparo (a nonprofit organization), which comprises the statement of financial position as of June 30, 2023, and the related statement of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Casa De Amparo as of June 30, 2023, and the changes in its net assets and its 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Casa De Amparo 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 opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 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 Casa De Amparo's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 generally accepted auditing standards and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements 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 generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 Casa De Amparo'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Casa De Amparo's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

Mayer Hoffman McCann P.C. previously audited Casa De Amparo's June 30, 2022, financial statements, and expressed an unmodified audit opinion on those audited financial statements in their report dated July 14, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the 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 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 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 13, 2024 on our consideration of the Casa De Amparo's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Casa De Amparo's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Casa De Amparo's internal control over financial reporting and compliance.

Pinnacle Accounting & Financial Services

Pinnacle Accounting & Financial Services
Sacramento, CA
May 13, 2024

Casa de Amparo
Statement of Financial Position
June 30, 2023
(With Comparative Totals for June 30, 2022)

	2023	2022
ASSETS		
Current Assets		
Cash and cash equivalents	$ 1,145,786	$ 6,856,305
Grants receivable	1,572,348	961,832
Pledges receivable, net	287	250,000
Prepaid Expenses and other current assets	35,178	76,322
Total Current Assets	2,753,599	8,144,459
Noncurrent Assets		
Pledges receivable, net of current portion	-	252,427
Land lease	859,954	913,150
Deposits	62,710	61,937
Certificates of deposit	4,763,243	-
Fund held by community foundations	733,449	683,728
Property and equipment, net of assets	13,357,082	12,700,895
Operating lease right-of-use asset, net	219,022	-
Total Noncurrent Assets	19,995,460	14,612,137
TOTAL ASSETS	$ 22,749,059	$ 22,756,596
LIABILITIES AND NET ASSETS		
LIABILITIES		
Current Liabilities		
Accounts Payable	$ 58,590	$ 140,733
Accrued compensation and other expenses	699,303	655,095
Loan payable, current portion	2,458,623	121,320
Operating lease liabilities, current portion	113,440	-
Deferred revenue	-	6,500
Total Current Liabilities	3,329,956	923,648
Non-Current Liabilities		
Loan payable, net of current portion	-	2,462,360
Operating lease liabilities, net of current portion	73,669	-
Total Non-Current Liabilities	73,669	2,462,360
TOTAL LIABILITIES	3,403,625	3,386,008
NET ASSETS		
Without Donor Restrictions	10,398,313	11,825,804
Board Designated net assets without donor restrictions	523,239	523,239
With Donor Restrictions	8,423,882	7,021,545
TOTAL NET ASSETS	19,345,434	19,370,588
TOTAL LIABILITIES AND NET ASSETS	$ 22,749,059	$ 22,756,596

The accompanying notes are an integral part of the financial statements

Casa de Amparo
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2023
(With Comparative Totals for June 30, 2022)

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUE				
Grant revenue	$ 7,159,179	$ -	$ 7,159,179	$ 7,481,644
Contributions of financial assets	794,581	1,402,288	2,196,869	1,268,662
Capital campaigns	-	333,899	333,899	1,309,769
Special events revenue and related contributions	661,190	157,500	818,690	723,542
Contributions of non-financial assets	562,029	-	562,029	242,271
Interest and other income	191,069	9,071	200,140	(20,118)
Net Assets Released from Restrictions	346,282	(346,282)	-	-
TOTAL SUPPORT AND REVENUE	9,714,330	1,556,476	11,270,806	11,005,770
EXPENSES				
Program Services	8,628,948	-	8,628,948	8,915,716
General and administartive	1,662,185	30	1,662,215	1,039,044
Fundraising	615,874	-	615,874	581,199
Special events expense	234,814	154,109	388,923	326,327
TOTAL EXPENSES	11,141,821	154,139	11,295,960	10,862,286
CHANGES IN NET ASSETS	(1,427,491)	1,402,337	(25,154)	143,484
Net Assets at Beginning of Year	12,349,043	7,021,545	19,370,588	19,227,104
Net Assets at End of Year	$ 10,921,552	$ 8,423,882	$ 19,345,434	$ 19,370,588

The accompanying notes are an integral part of the financial statements

Casa de Amparo
Statement of Functional Expenses
For the Year Ended June 30, 2023
(With Comparative Totals for June 30, 2022)

	2023							2022
	Residential Services (STRTP)	ND Transitional Housing	Counseling Services	Total Program Services	General and Administration	Fund-Raising and Special Events	Total	Total
Salaries and Wages	$ 3,074,273	$ 620,573	$ 728,005	$ 4,422,851	$ 525,211	$ 484,410	$ 5,432,472	$ 5,783,537
Employee Benefits	531,992	86,891	132,358	751,241	100,833	68,674	920,748	1,108,614
Occupancy	210,124	574,969	68,124	853,217	33,648	6,780	893,645	1,146,855
Lease costs	102,342	280,042	33,180	415,564	-	-	415,564	-
Depreciation and amortization	248,210	52,039	97,448	397,697	45,512	9,388	452,597	500,950
Supplies	236,747	9,633	7,750	254,130	9,892	3,563	267,585	250,440
Contributions of non-fianncial assets	372,380	154,386	-	526,766	-	-	526,766	242,333
Professional services	94,605	30,829	113,810	239,244	255,278	-	494,522	421,847
Program expenses	84,831	235,393	3,159	323,383	56,820	485	380,688	331,225
Special event expense	82	18	33	133	1,367	388,923	390,423	327,559
Equipment expense	38,220	9,758	13,890	61,868	10,037	2,664	74,569	200,580
Transportation	73,950	36,811	1,166	111,927	23,943	2,509	138,379	177,417
Other expenses	40,734	7,409	5,195	53,338	539,577	24,284	617,199	124,333
Interest expense	68,884	-	28,302	97,186	11,574	2,727	111,487	116,240
Telephone	43,108	24,626	11,503	79,237	7,228	1,804	88,269	87,941
Training meeting and other	22,403	11,855	6,909	41,167	41,296	8,586	91,049	42,415
Total Functional Expenses	$ 5,242,885	$ 2,135,232	$ 1,250,833	$ 8,628,949	$ 1,662,216	$ 1,004,797	$ 11,295,962	$ 10,862,286
Total Functional Expenses FY2023	$ 5,353,128	$ 1,940,743	$ 1,621,845	$ 8,915,716	$ 1,039,044	$ 907,526		$ 10,862,286

The accompanying notes are an integral part of the financial statements

Casa de Amparo
Statement of Cash Flows
For the Year Ended June 30, 2023
(With Comparative Totals for June 30, 2022)

		2023		2022
CASH FLOWS FROM OPERATING ACTIVITIES:				
Change in Net Assets	$	(25,154)	$	143,484
Adjustments to Reconcile Change in Net Assets				
Net Cash Provided (Used) by Operating Activities				
Depreciation		399,401		447,757
Amortization of donated assets		53,196		53,193
Contributions restricted for long term and capital projects		333,899		(1,309,769)
Realized and unrealized investment gains		(48,400)		55,166
Changes to operating assets and liabilities:				
Grants receivable		(610,516)		101,422
Pledges receivable		502,140		5,000
Prepaid expenses and other current assets		41,144		116,339
Deposits		773		(23,095)
Accounts payable		82,143		31,142
Accrued compensation and other expenses		(44,208)		(149,433)
Deferred revenue		(6,500)		(397,733)
Net cash on leases		(105,582)		-
Net Cash Provided (Used) by Operating Activities		572,336		(926,527)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Additions to contruction in progress		-		(293,414)
Purchases of Property and Equipment		(1,060,656)		-
Purchase of Investments		(4,763,243)		-
Net Cash Used in Investing Activities		(5,823,899)		(293,414)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Contributions collected/released for long term and capital projects		(333,899)		1,309,769
Repayments on loan payable		(125,057)		(120,303)
Net Cash Proveded by (Used in) Financing Activities		(458,956)		1,189,466
Net Decrease in Cash		(5,710,519)		(30,475)
Cash Balance at Beginning of Year		6,856,305		6,886,780
Cash Balance at End of Year	$	1,145,787	$	6,856,305

The accompanying notes are an integral part of the financial statements

Note 1. <u>Organization and Purpose:</u>

Casa de Amparo (the "Organization") was established in 1978 in California as a non-profit corporation and is recognized as a 501(c)(3) Tax Exempt organization by the IRS. Casa de Amparo's mission is to support those affected by, and at risk of, child abuse or neglect through a range of programs and services that promote healing, growth, and healthy relationships.

Casa de Amparo is recognized as a major force in the field of child abuse prevention and treatment. Partnering with the greater San Diego community, it assures that children and their families receive unique and innovative services for healing, for stopping child mistreatment of any kind, and for ending generational cycles of abuse. The result is a community where child abuse and neglect are not tolerated, and where child abuse awareness and prevention are priorities.

The Organization offers four integrated child abuse prevention and treatment programs. Residential Services (Short Term Residential Therapeutic Program or "STRTP") provides 24-hour care and supportive/therapeutic services for children, from birth to 18, removed from the home due to abuse or neglect, including pregnant and parenting teens and their babies, and youth with special healthcare needs. New Directions provides transitional housing and supportive services to help former foster youth, ages 18 to 25, make a successful transition from foster care to independent living. Counseling Services provides trauma-informed therapy and case management for children and families experiencing, or at-risk of, child abuse or neglect.

The Organization has two campuses. The Casa Kids Campus on 11.4 acres owned by the Organization in the Twin Oaks Valley area of San Marcos was opened in April 2012. This campus provides housing for up to 50 children including 12 infants, and has a basketball court, a volleyball court, walking trails, gardens, a library, a learning center, an art/activities room, training rooms and administrative/support offices. The second campus is in Oceanside and is used by New Directions with buildings owned by the Organization and a long-term land lease agreement with the City of Oceanside.

In 2016, Casa de Amparo responded to the growing need for intensive residential care for pregnant and parenting female foster youth and their babies by expanding its pregnant and parenting program capacity and space and also expanding overall clinical support space on the Casa Kids Campus. The cottage for pregnant and parenting female foster youth and their babies now serves up to 12 moms and 12 babies simultaneously.

In order to comply with the State of California's Continuum of Care Reform ("CCR"), Casa de Amparo implemented STRTP standards and began the process of Joint Commission accreditation early in fiscal year 2017. Joint Commission accreditation was awarded May 19, 2017. Casa de Amparo received STRTP approval and its licensure from the State of California in January 2019.

In 2018, Casa de Amparo added the Transition Preparation Program ("TPP") within its Residential Services program. The TPP serves older teenage foster youth, including youth who are pregnant or parenting. The TPP maintains all aspects of supervision and services provided in Residential Services while preparing teens to live independently by simulating apartment-style living.

In 2020, Casa de Amparo continued its campaign to raise funds to expand the Casa Kids Campus in San Marcos to include a Teen Wellness Center ("TWC") for Foster Youth. The TWC will be licensed by California Community Care Licensing as a Community Treatment Facility, which is a secure STRTP.

Note 1. Organization and Purpose (continued):

The Teen Wellness Center will be the first of its kind in San Diego County and only the third in California. The TWC will serve foster youth who need a higher level of emotional, behavioral and mental health care. The TWC will play a vital role in the child abuse treatment and prevention services provided to children affected by complex trauma that would otherwise likely be placed out of state.

Note 2. Summary of Significant Accounting Policies:

Basis of Accounting: The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation: Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

> *Net Assets without Donor Restrictions* – Net assets without donor restrictions are free of donor-imposed restrictions. All revenues, gains, and losses that are not restricted by donors are included in this classification. All expenditures are reported in the without donor restrictions class of net assets, including expenditures funded by restricted contributions. Expenditures funded by restricted contributions are reported in the without donor restrictions net asset class because the use of restricted contributions is in accordance with donors' stipulations results in the release of such restrictions.
>
> *Net Assets with Donor Restrictions* – Net assets with donor restrictions are limited as to use by donor-imposed stipulations that may expire with the passage of time or that may be satisfied by action of the Organization. The Organization reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the net assets are reclassified as net assets without donor restriction and reported in the statements of activities as net assets released from restrictions.
>
> Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting the Organization to expend the income generated by the assets in accordance with the provisions of additional donor imposed stipulations or a Board approved spending policy.

Cash and Cash Equivalents: The Organization considers cash on hand and short-term investments with original maturities of three months or less to be cash and cash equivalents.

Contributions of financial assets - Contributions, including unconditional promises to give, are recorded when received. All contributions are available for unrestricted use unless specifically restricted by the donor. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized.

Note 2. Summary of Significant Accounting Policies (continued):

Contributions of financial assets (Continued):

All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Expenses are reported as decreases in unrestricted net assets.

Grants receivable: Grants receivable arise in the normal course of operations. It is the policy of management to review the outstanding grants receivable at year-end, as well as the bad debt write-offs experienced in the past, and establish an allowance for doubtful accounts for uncollectible amounts. Management determined that no allowance is necessary on June 30, 2023 and 2022.

Pledges Receivable – Unconditional promises to give cash and other assets are recognized as revenue in the period received. Conditional promises to give are not recognized until donor stipulations are met. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give, with payments due to the Organization beyond one year, are recorded as net assets with donor restrictions at the estimated present value of the expected future cash flows, using credit risk-adjusted rates applicable to the years in which the promises are expected to be received. Amortization of the discounts is recorded as contribution revenue in the appropriate net asset class.

An allowance for uncollectible pledges receivable is provided based upon management's judgment of such factors as prior collection history and other relevant factors. Management determined that no allowance is necessary on June 30, 2023 and 2022.

Funds held by Community Foundations – The Organization transferred assets to community foundations holding them as endowed component funds for the benefit of the Organization. See Note 7 for additional detail.

Investment – The Organization records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statement of financial position. Net investment return/(loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Property and Equipment: Acquisitions of property and equipment of $5,000 or more are capitalized. Property and equipment are stated at cost or, if donated, at the appropriate fair market value at the date of donation. Expenditures for maintenance and repairs are charged against operations.

Depreciation is computed using the straight-line method over the estimated useful lives of the related assets of 5 to 45 years.

Buildings	20 - 45 years
Furniture and equipment	5 - 7 years
Vehicles	5 years

Depreciation expense was $399,401 and $447,757 for the years ended June 30, 2023 and 2022, respectively.

Note 2. Summary of Significant Accounting Policies (continued):

Valuation of Long-Lived Assets – Accounting Standards Codification ("ASC") Topic 360, Property, Plant, and Equipment requires that long-lived assets and certain identifiable intangibles to be held and used by the Organization be reviewed for impairment whenever events of changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Impairment, which is determined based upon the estimated fair value of the asset, is recorded when estimated undiscounted cash flows expected to be generated by the asset is insufficient to recover its net carrying value. As of June 30, 2023, the Organization did not identify any events or circumstances that would require recognition of an impairment loss under this standard.

Contributions of Non-Financial Assets – Contributed materials are recorded at their fair market value where an objective basis is available to measure their value. Such items are capitalized or charged to operations as appropriate. Certain contributed items are auctioned at the Organization's special events. Contributed items are included in the statements of activities as contributions of non-financial assets and program and special event expenses. The Organization recorded a total of $526,767 and $242,271 in operational expenses related to contributions of non-financial assets for the years ended June 30, 2023 and 2022, respectively. The Organization receives a substantial number of services donated by volunteers in carrying out the Organization's program services. The services do not meet the criteria as contributions and are, therefore, not recognized in the financial statements.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

The Organization has capitalized the value of the donated land lease as a contribution with donor restrictions. Each year the Organization reclassifies amortization of the land lease from net assets with donor restrictions to net assets without donor restrictions. For the years ended June 30, 2023 and 2022, the ending value of the land lease is $859,954 and $913,150, respectively.

Functional allocation of expenses – The Organization allocates its expenses on a functional basis among its various programs and supporting services. Expenditures which can be identified with a specific program or support service are allocated directly, according to their natural expenditure classification. Costs that are common to several functions are allocated among the program and supporting services based on time records, space utilized, and estimates made by the Organization's management.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, requires the Organization to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The Organization believes that the estimates utilized in preparing these financial statements are reasonable; however, actual results could differ from those estimates.

Note 2. <u>Summary of Significant Accounting Policies (continued):</u>

Income Taxes – The Organization is a qualified nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code.

The FASB issued Accounting Standards Notification No. 740-10, Accounting for Uncertainties in Income Taxes, which sets a minimum threshold for financial statement recognition of the benefit of tax position taken or expected to be taken in a tax return. The Organization uses a loss contingencies approach for evaluating uncertain tax positions and continually evaluates changes in tax law and new authoritative rulings. Management believes that the Organization has no uncertain tax positions.

Leases – the Organization determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use (ROU) assets and lease liabilities in the balance sheet. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term, and ROU assets also include prepaid or accrued rent. Operating lease expense is recognized on a straight-line basis over the lease term. Casa does not report ROU assets and leases liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

New Accounting Pronouncements – During the 2023 fiscal year the Organization adopted Accounting Standards Update (ASU) No. 2016-02, Leases, which requires lessees to recognize leases on the balance sheet and disclose key information about leasing arrangements. The Organization has elected not to restate the comparative period (2022). It also elected not to reassess at adoption (i) expired or existing contracts to determine whether they are or contain a lease, (ii) the lease classification of any existing leases, or (iii) initial direct costs for existing leases. At July 1, 2022 as a result of implementing ASU No. 2016-02, the Organization recognized right-of-use assets of $623,557 and lease liabilities totaling $623,557 on the statement of financial position as of July 1, 2022.

During the 2023 fiscal year the Organization adopted Accounting Standards Update (ASU) 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. The new guidance requires nonprofit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a nonprofit entity has received. Adoption of this standard did not have a significant impact on the financial statements, with the exception of increased disclosure.

Subsequent Events – Subsequent events are events or transactions that occur after the statement of financial position date but before financial statements are available to be issued. The Organization recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at that date, including the estimates inherent in the process of preparing financial statements. The Organization's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after that date and before the financial statements are available to be issued.

The Organization has evaluated subsequent events through May 13, 2024, which is the date the financial statements are available for issuance.

Note 2. Summary of Significant Accounting Policies (continued):

Comparative Financial Information: The financial statements include certain prior year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, it should be read in conjunction with the Organization's financial statements for the year ended June 30, 2022 from which the summarized information was derived.

Note 3. Property and Equipment:

Property and equipment for the year ended June 30, 2023 consist of the following:

	Balance July 1, 2022	Additions	Deletion	Balance June 30, 2023
TWC Construction in Prog	$ 1,136,559	$ 112,414	$ -	$ 1,248,973
Building Campaign - Ivey Ranch	32,020	-	-	32,020
Vehicles	334,710	26,545	-	361,255
Furniture & Equipment-Office	143,403	-	-	143,403
Furniture-Equipment-Units	72,453	725,423	-	797,876
Software Customization	112,487	-	-	112,487
Land	916,587	-	-	916,587
Buildings - Ivey Ranch	1,559,789	-	-	1,559,789
Buildings - Casa Kids Campus	12,983,710	191,206	-	13,174,916
Total Property and Equipment	17,291,718	1,055,588	-	18,347,306
Less Accumulated Depreciation	(4,590,823)	(399,401)	-	(4,990,224)
Net Property and Equipment	$ 12,700,895	$ 656,187	$ -	$ 13,357,082

Note 4. Fair Value Measurements:

The Organization defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value hierarchy is established that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and 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: Inputs are quoted market prices (unadjusted) in active markets for identical assets or liabilities that the entity has the ability to access at the measurement date.
Level 2: Inputs other than quoted prices within Level 1 that are observable, either directly or indirectly such as quoted prices for similar assets or liabilities in active markets or inactive markets, or inputs other than quoted prices that are observable for the asset or liability.
Level 3: Inputs are unobservable. Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

Note 4. Fair Value Measurements (Continued):

The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of their investments. When available, the Organization measures fair value using Level 1 inputs because it generally provides the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available.

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. The valuation levels are not necessarily an indication of the risk or liquidity associated with the underlying investments.

The table below presents the balances of assets measured at fair value on a recurring basis at June 30, 2023:

	Fair Value	Level 1	Level 2	Level 3
Financial Assets:				
Cash and cash equivalents	$ 4,763,243	$ 4,763,243	$ -	$ -
Funds held by community foundations	733,449	733,449	-	-
Total Financial Assets	$ 5,496,692	$ 5,496,692	$ -	$ -

Note 5. Concentration of Credit Risk

Cash

The Organization maintains cash balances at several financial institutions. Accounts at these institutions are secured by the Federal Deposit Insurance Corporation. At times, the balances may exceed federally insured limits. There have been no losses in such accounts as of June 30, 2023. Management believes that the Organization is not exposed to any significant credit risk with respect to its cash.

Revenue and Receivables

The Organization received approximately 67% of its revenue from government contracts for the year ended June 30, 2023, compared to 68% in the prior fiscal year. The Organization received $4 million or 39% of its total revenue from Residential Services (STRTP) and $2.9 million or 20% of its total revenue from its New Directions transitional housing program. For the year ended June 30, 2022, the Organization received $3.9 million or 36% of its total revenue from Residential Services (STRTP) and $1.9 million or 17% of its total revenue from its New Directions transitional housing program.

Pledges receivable totaled $287 at June 30, 2023 and $502,427 at June 30, 2022. Of the total pledges receivable at June 30, 2022, $500,000 was from one foundation and was written off as bad debt for the year ended June 30, 2023.

Note 6. Pledges Receivable

Pledges receivable consist of the following at June 30:

		2023		2022
Net pledges receivable	$	5,000	$	510,000
Less imputed discount		(4,713)		(7,573)
		287		502,427
Contributions receivable consist of the following:				
Due in less than one year		5,000	$	250,000
Due in one to five years		-		260,000
	$	5,000	$	510,000

The net present value for the pledges due in more than one year is discounted at a rate of 3%.

Note 7. Funds Held by Community Foundations

Funds held by community foundations consist of endowment funds held by The San Diego Foundation and the Jewish Community Foundation of San Diego ("the Foundations") for the benefit of the Organization.

The Organization has granted The San Diego Foundation variance power, which gives their Trustees the power to use the Fund for other purposes in certain circumstances. The Funds are subject to The San Diego Foundation's investment and spending policies.

The San Diego Foundation endowment funds are invested in the following assets classes:

Asset Class	%
Equity	40%
Hedge Funds	15%
Private Equity	15%
Fixed Income	10%
Real Estate	7%
Real Assets	3%
Private Credit	10%

The funds held at the Jewish Community Foundation of San Diego have been designated by the Organization's board of directors to be invested in their pool Organization funds, which have endowment like investment objectives.

Note 7. <u>Funds Held by Community Foundations</u> (Continued):

The Jewish Community Foundation of San Diego pool Organization funds are invested in the following assets classes:

Asset Class	**%**
Equity	40%
Private Assets	26%
Fixed Income	18%
Hedge Funds	13%
Real Assets	3%

The Organization reports the fair value of the Funds in the statement of financial position. Changes in the value of the Funds are reported as gains or losses in the statement of activities.

Note 8. <u>Contingencies and Commitments</u>

Government Contracts – The Organization receives a significant portion of its revenues from government contracts, which are subject to audits. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined. Management believes that any liability, which may result from these audits, is not significant.

Litigation - In conducting its activities, the Organization is occasionally named in various legal claims and litigations. Management believes that the ultimate resolution of such legal claims will not have a material effect on the financial statements of the Organization.

Note 9. <u>Operating Lease Commitments</u>

Casa De Amparo evaluated current contracts to determine which met the criteria of a lease. The right-of-use (ROU) assets represent Casa De Amparo's right to use underlying assets for the lease term, and the lease liabilities represent Casa De Amparo's obligation to make lease payments arising from these leases. The ROU assets and lease liabilities, all of which arise from operating leases, were calculated based on the present value of future lease payments over the lease terms.

During the year ended September 30, 2023, the Company recognized lease expense in relation to the leases described above as follows:

Lease cost	
Operating lease cost	$ 14,015
Total lease cost	$ 14,015

Note 9. Operating Lease Commitments (continued)

Casa De Amparo has elected to exercise the practical expedient permitting the use of the risk-free rate as the discount rate for its leases when it does not have access to the rate implicit in the leases. The weighted average remaining lease terms and weighted average discount rates for operating leases are as follows:

	Operating
Weighted average remaining lease term	0.70 years
Weighted average discount rate	2.85%
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	168,238

The Organization leases program facilities under non-cancelable operating leases, which expire at various dates through May 2024. Cash paid for operating leases for the year ended June 30, 2023, was $350,444. There were no noncash investing and financing transactions related to leasing.

Future minimum lease payments under this operating lease as of December 31, 2022, are detailed below.

Year End June 30,		
2024	$	107,895
	$	107,895

Note 10. Nature and amount of net assets with donor restrictions

Net assets with donor restrictions were available for the following purposes as of June 30:

	2023	2022
Restricted for specified purpose:		
Land Lease – Ivey Ranch	$ 859,954	$ 913,150
Capital Campaign for Teen Wellness Center and Suppport Service Building	7,392,274	5,947,906
Total restricted for specified purpose	8,252,228	6,861,056
Endowments subject to the Organization's spending policy and appropriation	171,653	160,489
Total net assets with donor restrictions	$ 8,423,881	$ 7,021,545

Net assets in the amounts of $346,282 and $311,839 were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors for the years ended June 30, 2023 and 2022, respectively.

Note 11. Retirement Plan

The Organization sponsors a non-contributory 403(b) retirement plan covering all employees who have completed 90 days of eligible service. Contributions to the retirement plan are at the discretion of each employee. There were no contributions by the Organization for the years ended June 30, 2023 and 2022, respectively.

Note 12. Information Regarding Liquidity and Availability

Contract revenue from the federal, state and local governments historically represent approximately 71% of the Organization's operational funding needs. Support without donor restrictions averaged 26%, and the remainder funded by contributions with donor restrictions and interest income.

The Organization's cash flows have seasonal variations due to a concentration of contributions received at calendar and fiscal year-end. To manage liquidity, the Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization invests cash in excess of its daily requirements in money market accounts and short-term investments. As of June 30, 2023, the Organization had $588,968 available in its operating reserve accounts. Additionally, the Organization has Board Designated net assets without donor restrictions totaling $523,239 that, while the Organization does not intend to spend for those purposes other than those identified, the amounts could be made available for current operations, if necessary.

The following table reflects the Organization's financial assets as of June 30, 2023, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions or internal board designations. Amounts not available include certain donor-restricted investments as more fully described in Note 10.

June 30,	2023
Financial assets at year-end:	
Cash and cash equivalents	$ 1,145,786
Grants receivable	1,572,348
Pledges / Other Grants receivable	287
Certificates of deposit	4,763,243
Funds held by community foundations	733,449
Total financial assets	8,215,113
Less:	
Amounts not available to be used within one year:	
Restricted by donors with purpose restriction	(4,954,138)
Amounts available to management with Board's approval:	
Community foundation Organization fund	(378,273)
Amounts unavailable to management in perpetuity:	
Donor restricted endowment	(171,653)
Board-designated endowment	(183,523)
Financial assets available to meet cash needs for general expenditures within one year	$ 2,527,526

Note 13. Endowment Funds

Authoritative guidance related to not-for-profit entities provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA") and requires additional disclosures about an organization's endowment funds. The Organization's endowment funds consist of four individual funds and includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. In accordance with the authoritative guidance, net assets associated with the funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization has interpreted UPMIFA as the prudent preservation of the fair value of the original gift of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund and (d) the remaining portion of the donor-restricted endowment until those amounts are appropriated for expenditures by the Organization in a manner consistent with the standard of prudence prescribed by the State of California's UPMIFA. As such, much of the net realized and unrealized appreciation in the fair value of the assets of an endowment fund over the historic dollar value of the fund is considered prudent, unless the donor's intention is indicated in the endowment.

Changes in endowment net assets for the year ended June 30, 2023 are as follows:

	Without Donor Restrictions	With Donor restrictions	Total
Endowment assets, June 30, 2022	$ 523,239	$ 160,489	$ 683,728
Invesmnet return, net	38,557	11,164	49,721
Endowment assets, June 30, 2023	$ 561,796	$ 171,653	$ 733,449

Changes in endowment net assets for the year ended June 30, 2022 are as follows:

	Without Donor Restrictions	With Donor restrictions	Total
Endowment assets, June 30, 2021	$ 571,545	$ 167,349	$ 738,894
Invesmnet return, net	(48,306)	(6,860)	(55,166)
Endowment assets, June 30, 2022	$ 523,239	$ 160,489	$ 683,728

Endowment net assets without donor restrictions identified in the tables above represent Board designated net assets.

From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. There were no deficiencies of this nature as of June 30, 2023 and 2022.

Note 13. Endowment Funds (continued)

Due to the relatively small size of its endowment, the Organization has not enacted a policy of spending principal or principal appreciation of the funds. The Organization invests the funds for total return and reinvests all interest and dividends to enhance the growth of the funds. The Organization believes it is beneficial to defer endowment spending and grow the endowment to a size that will have a meaningful impact in stabilizing the revenues of the Organization.

Endowment and board-designated endowment funds are invested with a strong equity bias towards significant diversification across investments with fundamentally different risk characteristics. In general, assets are invested in funds that provide liquidity and diversification of security specific risk at reasonable cost. The funds are invested with a long-term horizon without attempting to time market movements. Allocations to asset classes are maintained in accordance with the long-term policy targets and ranges approved by the Operations Committee and the Board of Directors.

Note 14. Loan Payable:

On April 20, 2017, the Organization refinanced its loan agreement with Wells Fargo Bank for the purpose of financing the cost of construction of Casa Kids Campus. Interest is payable monthly at a fixed rate of 4.35% and the loan matures on May 5, 2024. The loan is secured by the Casa Kids Campus.

The Organization is subject to compliance with certain debt covenants under the loan agreement. The Organization received a waiver for covenant non-compliance for the year ended June 30, 2023. Effective May 30, 2023, Wells Fargo Bank removed all financial reporting, condition, or performance covenants with specific due dates or reporting and compliance periods for the loan.

The balance of the loan of $2,462,360 is payable in full on May 5, 2024.

Note 15. Contribution of Non-Financial Assets:

The estimated fair value of donated goods and professional services is recorded in the financial statements. Donated goods are recorded at fair value. Donated professional services are recognized in the financial statements because the services require specialized skills, provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Casa De Amparo may receive donated volunteer services which have not been reflected in the accompanying financial statements because such services do not meet the criteria requirements of creating nonfinancial assets or requiring specialized professional skills.

Casa De Amparo received contributions of non-financial assets from the various donors during the fiscal year consisting of food and gift certificate donations valued at $562,029 as determined by the respective retail value of each item. The donations were used to support the Organization’s programs. The contributions of non-financial assets have been recorded in the statement of activities.

Casa De Amparo
Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2023

Federal Grantor/Pass -Through Grantor/Program or Cluster Title	Assistance Listing Number		Federal Expenditures
FEDERAL			
U.S Department of Housing and Urban Development			
Pass-through County of San Diego Health and Human Services:			
Foster Care Title IV - E - Foster Care	93.658 *	$	329,672
Promoting Safe and Stable Families - Family Visitation	93.556		26,429
Stephanie Tubbs Jones CWS Program	93.645		24,990
Temporary Assistance for Needy Families (TANF)	93.558		113,083
Social Services Block Grant	93.667		94,234
Total Pass-through County of San Diego Health and Human Services			588,408
Pass-through County of San Bernardino			
Foster Care Title IV-E (Group Home and Transitional Housing Program plus Foster Care)	93.658 *		420,175
Total Pass-through County of San Bernardino			420,175
U.S. Department of Housing and Urban Development			
Pass-through City of San Marcos			
Community Development Block Grants/Entitlement Grants	14.218		180,449
Total Expenditures of Federal Awards		$	**1,189,032**

* Denotes major program

Note 1 - Basis of Presentation

The accompanying Schedule of Federal, State and Other Awards (the "Schedule") includes the federal grant activity of Casa de Amparo under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of Casa de Amparo, it is not intended to and does not present the financial position, changes in net assets or cash flows of Casa de Amparo.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the Cost Principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Casa de Amparo has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 3 - Comingled Funding

The Foster Care Title IV- E - Foster award amounts that are passed through County of San Diego Health and Human Services are noted as major programs due to comingled funding from federal and state. The breakdown of federal and state Care funding was determined at the time of audit fieldwork.

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& FINANCIAL SERVICES

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of
Casa De Amparo
San Marcos, CA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Casa De Amparo (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023 , and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 13, 2024.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Casa De Amparo's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Casa De Amparo's internal control. Accordingly, we do not express an opinion on the effectiveness of the Casa De Amparo's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001 that we consider to be material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Casa De Amparo's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Responses to Findings

The Organization's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Pinnacle Accounting & Financial Services

Pinnacle Accounting & Financial Services
Sacramento, CA
May 13, 2024

Pinnacle Accounting
& FINANCIAL SERVICES

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors of
Casa De Amparo
San Marcos, CA

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Casa De Amparo's compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of Casa De Amparo's major federal programs for the year ended June 30, 2023. Casa De Amparo's major federal programs are identified in the summary of Auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Casa De Amparo complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Casa De Amparo and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Casa De Amparo's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Casa De Amparo's federal programs.

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Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Casa De Amparo's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Casa De Amparo's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Casa De Amparo's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Casa De Amparo's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Casa De Amparo's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2022-001. Our opinion on each major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on Casa De Amparo's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Casa De Amparo's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

In planning and performing our audit of the financial statements, we considered Casa De Amparo's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Casa De Amparo's internal control. Accordingly, we do not express an opinion on the effectiveness of Casa De Amparo's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2022-001 that we consider to be a significant deficiency. Casa De Amparo's response to internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Pinnacle Accounting & Financial Services

Pinnacle Accounting & Financial Services
Sacramento, CA
May 13, 2024

Casa De Amparo
Schedule of Findings and Questioned Costs
June 30, 2023

Section I - Summary of Auditors' Results

FINANCIAL STATEMENTS

(a) Type of report issued on whether the financial statements were prepared in accordance with accounting principles generally accepted in the United States of America: **Unmodified opinion**

(b) Internal control deficiencies over financial reporting disclosed by the audit of the financial statements:

- Material weaknesses identified: **Yes**
- Significant deficiencies identified: **No**

(c) Noncompliance material to the financial statements: **No**

FEDERAL AWARDS

(d) Internal control over major programs:

- Material weaknesses identified: **Yes**
- Significant deficiencies identified: **No**

(e) Type of report issued on compliance for major program: **Unmodified**

(f) Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance 2 CFR 200.516(a): **Yes**

(g) Major program:

- 93.658 – Foster Care Title IV-E

(h) Dollar threshold used to distinguish between Type A and Type B programs: **$750,000**

(i) Auditee qualified as a low-risk auditee: **No**

Section II - Financial Statement Findings

Finding Number 2023-001: Review Procedures

Criteria
Management is responsible for implementing review processes over transactions and financial statement close procedures.

Condition
In testing performed over several accounts, the Auditors identified multiple deficiencies that were the result of missing review processes over transactions and financial statement close procedures. These deficiencies included:

- Adequate support was not reviewed and retained for contributions, journal entries, and expenses.
- Evidence of timely review was not available for certain journal entries, invoices, and expense reports.
- Errors were identified in the recording of several transactions. Due to lack of review these errors were not identified and corrected on a timely basis. Errors included in the release of net assets with donor restriction, allocation of expenses between departments, reconciliation of payroll expenses, and recording of grant and contributions of non-financial assets.
- Evidence of timely review was not available for certain reports required to be prepared in accordance with the Organization's grant agreements. This lack of review resulted in several errors within the reports.

Cause
The Organization's policies and processes regarding review were not consistently applied.

Effect
Material errors may not be detected or corrected in a timely manner.

Recommendation
We recommend that the Organization detail review, and consistently follow, established policies and processes of detail review, including vouching to supporting documents, of expenses and reports.

Views of Responsible Officials
Management agrees with the assessment and has implemented steps at the beginning of the fiscal year 2023-2024 to address this issue. The organization has transitioned its accounting software to QuickBooks Online to enhance efficiency and streamline processes within the accounting department. Additionally, a thorough review of procedures has been conducted, and measures have been implemented to mitigate the previous impact of employee turnover. These strategic initiatives are expected to rectify the identified deficiency and contribute to improved effectiveness and efficiency within the accounting department.

Casa De Amparo
Schedule of Findings and Questioned Costs
June 30, 2023

<u>Section III - Federal Award Findings and Questioned Costs</u>

<u>Finding Number 2023-002: Allowable Costs/Cost Principles and Reporting, 93.658 Foster Care – Title IV-E pass-through County of San Diego Health and. Grant Award Period Year Ended June 20, 2023</u>

<u>Criteria</u>
Per Part 6 of the Compliance Supplement, controls need to be designed such that they would prevent or detect potential noncompliance. Management should implement control activities through policies.

<u>Condition</u>
In testing performed over several accounts, the Auditors identified multiple deficiencies that were the result of missing review processes over transactions and financial statement close procedures. Refer to finding 2023-001 for more details.

<u>Cause</u>
The Organization's policies and processes regarding review of underlying detail of program expenses and reporting were not consistently applied.

<u>Effect</u>
Material errors may not be detected or corrected in a timely manner.

<u>Questioned Costs</u>
None reported.

<u>Context</u>
The condition noted above was identified during our procedures related to Allowable Costs/Cost Principles and Reporting.

<u>Identification as a Repeat Finding</u>
Yes.

<u>Recommendation</u>
We recommend that the Organization detail review, and consistently follow, established policies and processes of detail review, including vouching to supporting documents, of expenses and reports.

<u>Views of Responsible Officials</u>
Management agrees with the assessment and has implemented steps at the beginning of the fiscal year 2023-2024 to address this issue. The organization has transitioned its accounting software to QuickBooks Online to enhance efficiency and streamline processes within the accounting department. Additionally, a thorough review of procedures has been conducted, and measures have been implemented to mitigate the previous impact of employee turnover. These strategic initiatives are expected to rectify the identified deficiency and contribute to improved effectiveness and efficiency within the accounting department.

Casa De Amparo
Schedule of Findings and Questioned Costs
June 30, 2023

<u>Section IV – Summary of Prior Year Findings and Questioned Costs</u>

Finding Number: 2022-001
Finding Summary: The Auditors identified multiple deficiencies that were the result of missing review processes over transactions and financial statement close procedures.
Status: Corrective action was not taken

Finding Number: 2022-002
Finding Summary: The Auditors identified multiple deficiencies that were the result of missing review processes over transactions and financial statement close procedures.