Casa de Amparo

Financial Statements and
Supplemental Information
As of and for the Year Ended June 30, 2022
(With Comparative Information for June 30, 2021)

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Casa de Amparo

Contents

Independent Auditors' Report	3 - 5
Financial Statements	
Statements of Financial Position as of June 30, 2022 and 2021	6
Statement of Activities for the Year Ended June 30, 2022 (With Summarized Comparative Information for the Year Ended June 30, 2021)	7
Statement of Functional Expenses for the Year Ended June 30, 2022 (With Summarized Comparative Information for the Year Ended June 30, 2021)	8
Statements of Cash Flows for the Years Ended June 30, 2022 and 2021	9
Notes to Financial Statements	10 – 22
Supplemental Information	23
Schedule of Expenditures of Federal, State and Other Awards	24
Notes to Schedule of Expenditures of Federal, State and Other Awards	25
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*	26 - 27
Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance	28 - 30
Schedule of Findings and Questioned Costs for Federal Awards	31 - 33

Independent Auditors' Report

To the Audit Committee
Casa de Amparo
San Marcos, California

Opinion

We have audited the financial statements of Casa de Amparo (the "Organization"), which comprise the statement of financial position as of June 30, 2022, and the related statement of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Casa de Amparo as of June 30, 2022, 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 ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of 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 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 Organization's ability to continue as a going concern for one year after the date that the financial statements are 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 GAAS 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

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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 GAAS 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 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 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.

Other Matters

Report on Summarized Comparative Information

We have previously audited Casa de Amparo's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 3, 2022. 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 financial statements from which it has been derived.

Supplemental 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 audits 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 GAAS. In our opinion, the information 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 July 14, 2023 on our consideration of 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 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 Casa de Amparo's internal control over financial reporting and compliance.

Mayer Hoffman McCann P.C.

San Diego, California
July 14, 2023

Casa de Amparo

Statements of Financial Position

As of June 30,	2022	2021
ASSETS		
Current assets		
Cash and cash equivalents	$ 6,856,305	$ 6,886,780
Grants receivable	961,832	1,063,254
Pledges receivable, net	250,000	255,000
Prepaid expenses and other current assets	76,322	192,661
Total current assets	8,144,459	8,397,695
Pledges receivable, net of current portion	252,427	252,427
Land lease	913,150	966,343
Deposits	61,937	38,842
Funds held by community foundations	683,728	738,894
Property and equipment, net of depreciation	12,700,895	12,855,238
Total noncurrent assets	14,612,137	14,851,744
Total assets	$ 22,756,596	$ 23,249,439
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	$ 140,733	$ 109,591
Accrued compensation and other expenses	655,095	804,528
Loan payable, current portion	121,320	121,320
Deferred revenue	6,500	404,233
Total current liabilities	923,648	1,439,672
Other liabilities		
Loan payable, net of current portion	2,462,360	2,582,663
Total liabilities	3,386,008	4,022,335
Net assets		
Without donor restrictions	12,349,043	13,455,273
With donor restrictions	7,021,545	5,771,831
Total net assets	19,370,588	19,227,104
Total liabilities and net assets	$ 22,756,596	$ 23,249,439

The accompanying notes to the financial statements are an integral part of these statements.

Casa de Amparo

Statements of Activities
Year Ended June 30, 2022
(With Summarized Financial Information for year ended June 30, 2021)

	Without Donor Restrictions	With Donor Restrictions	Total	2021 Total
REVENUE AND SUPPORT				
Grant Revenue	$ 7,481,644	$ -	$ 7,481,644	$ 8,632,004
Contributions	1,010,017	258,645	1,268,662	1,288,204
Capital campaigns	-	1,309,769	1,309,769	2,430,009
Special events revenue and related contributions	723,542	-	723,542	388,475
In-kind contributions	242,271	-	242,271	541,051
Interest and other income (expense)	(13,257)	(6,861)	(20,118)	227,366
Net assets released from restrictions	311,839	(311,839)	-	-
Total operating revenue and support	9,756,056	1,249,714	11,005,770	13,507,109
EXPENSES				
Program Services	8,915,716	-	8,915,716	9,429,576
General and administrative	1,039,044	-	1,039,044	1,024,935
Fundraising	581,199	-	581,199	589,261
Special events expense	326,327	-	326,327	95,144
Total Expenses	10,862,286	-	10,862,286	11,138,916
Change in net assets	(1,106,230)	1,249,714	143,484	2,368,193
Net assets, beginning of year	13,455,273	5,771,831	19,227,104	16,858,911
Net assets, end of year	$ 12,349,043	$ 7,021,545	$19,370,588	$19,227,104

The accompanying notes to the financial statements are an integral part of these statements.

Casa de Amparo

Statements of Functional Expenses
Year Ended June 30, 2022
(With Summarized Financial Information for the year ended June 30, 2021)

	Residential Services (STRTP)	New Directions Transitional Housing	Counseling Services	Family Visitation	Total Program Services	General and Administrative	Fundraising and Special Events	2022 Total	2021 Total
Salaries	$ 3,219,846	$ 495,435	$ 794,420	$ 193,622	$ 4,703,323	$ 635,037	$ 445,177	$ 5,783,537	$ 5,993,177
Benefits	732,508	79,142	69,866	35,500	917,016	149,043	42,555	1,108,614	1,443,458
Occupancy	269,375	727,114	72,569	24,164	1,093,222	41,802	11,831	1,146,855	1,071,076
Depreciation & amortization	205,635	99,982	95,811	67,757	469,185	22,530	9,235	500,950	511,221
Supplies	307,455	111,538	5,349	59,852	484,194	7,956	623	492,773	812,011
Professional services	209,269	21,262	91,658	6,715	328,904	62,300	30,642	421,846	202,368
Program expense	95,254	225,461	4,345	385	325,445	4,074	1,707	331,226	393,579
Special event expense	-	58	-	-	58	1,174	326,327	327,559	95,144
Equipment expense	93,744	40,256	24,141	6,677	164,818	29,735	6,029	200,582	90,815
Transportation	71,224	88,441	901	15,811	176,377	-	1,077	177,454	140,641
Other expenses	31,282	5,690	3,539	200	40,711	59,370	24,211	124,292	142,752
Interest expense	60,089	17,079	21,225	7,660	106,053	7,593	2,594	116,240	123,175
Telephone	36,598	26,659	12,611	3,074	78,942	7,112	1,887	87,941	76,616
Training, meetings, other	20,849	2,626	2,795	1,198	27,468	11,318	3,631	42,417	42,883
Total functional expenses	$ 5,353,128	$1,940,743	$1,199,230	$ 422,615	$ 8,915,716	$ 1,039,044	$ 907,526	$ 10,862,286	$ 11,138,916

The accompanying notes to the financial statements are an integral part of these statements

Casa de Amparo

Statements of Cash Flows

Years ended June 30,	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 143,484	$ 2,368,193
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	447,757	458,028
Amortization of donated property	53,193	53,193
Contributions restricted for long-term and capital projects	(1,309,769)	(2,430,009)
Realized and unrealized investment gains	55,166	(169,652)
Change in discount of pledges receivable	-	(145)
Gain on sale of fixed assets	-	1,350
Changes to operating assets and liabilities:		
Grants receivable	101,422	(107,953)
Pledges receivable	5,000	5,000
Prepaid expenses and other current assets	116,339	(83,401)
Deposits	(23,095)	(10,255)
Accounts payable	31,142	27,742
Accrued compensation and other expenses	(149,433)	71,444
Deferred revenue	(397,733)	(51,795)
Net cash provided by (used in) operating activities	(926,527)	131,740
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to construction in progress	(293,414)	(184,630)
Purchases of property and equipment	-	(65,455)
Proceeds from sale of property and equipment	-	11,662
Net cash used in investing activities	(293,414)	(238,423)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions collected for long-term and capital purposes	1,309,769	2,430,009
Repayments on loan payable	(120,303)	(117,343)
Net cash provided by financing activities	1,189,466	2,312,666
Change in cash and cash equivalents	(30,475)	2,205,983
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	6,886,780	4,680,797
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 6,856,305	$ 6,886,780
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	$ 116,240	$ 123,175

The accompanying notes to the financial statements are an integral part of these statements.

Note 1 - Nature of activities

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. Family Visitation provides supervised visits and promotes healthy family relationships and reunifications. As of May 2022, the Family Visitation Program has been terminated.

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 shared by Family Visitation Services and 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

Note 1 - Nature of activities (continued)

STRTP. 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 are in need of 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. The Organization plans to break ground on the TWC in October of 2023.

Note 2 - Summary of significant accounting policies

Basis of Presentation – The Organization's financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Based on the existence or absence of donor-imposed restrictions, the Organization classifies resources into two categories: without donor restrictions and with donor restrictions.

> *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.
>
> *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.

Revenue Recognition – Revenue from grants is recognized to the extent of eligible services or costs incurred up to an amount not to exceed the total grant/contract authorized. Any amounts received in advance are deferred until earned.

All other donor restricted contributions are 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 statements of activities as net assets released from restrictions.

Note 2 - Summary of significant accounting policies (continued)

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 year ended June 30, 2022 and 2021, the ending value of the land lease is $913,150 and $966,343, respectively.

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.

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, 2022 and 2021.

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 judgement of such factors as prior collection history and other relevant factors. Management determined that no allowance is necessary on June 30, 2022 and 2021.

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 6 for additional detail.

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 $447,757 and $458,028 for the years ended June 30, 2022 and 2021, 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, 2022, the Organization did not identify any events or circumstances that would require recognition of an impairment loss under this standard.

Contributed Materials and Services – 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 in-kind donations and program and special event expenses. The Organization recorded a total of $242,271 and $541,051 in operational expenses related to in-kind donations for the years ended June 30, 2022 and 2021, 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.

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.

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.

New Accounting Pronouncements – In February 2016, the FASB issued ASU 2016-02, Leases ("Topic 842"), and issued several subsequent amendments to the initial guidance. The amendments in these updates require lessees to recognize the following for all leases (with the exception of short-term leases) at the commencement date, a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and, a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. The amendments in this update will be effective for the annual period beginning after December 15, 2021. Early adoption is permitted. The Company has yet to assess the full impact of this guidance.

Note 2 - Summary of significant accounting policies (continued)

In September 2020, the FASB issued ASU 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958). The guidance increased the transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. The new guidance is effective for the year beginning after June 15, 2021. The Organization has adopted the new standard in this fiscal year.

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.

In May 2021, the Center for Medicaid and Medicare Services (CMS) determined that Short-term Residential Therapeutic Programs (STRTPs) cannot be exempted from Institute for Mental Disease (IMD) determination. The California Department of Health Care Services (DHCS) was subsequently directed to conduct IMD determination reviews of all STRTPs to ascertain if they are eligible to claim federal financial participation (FFP). The DHCS is working with the California Department of Social Services (CDSS) to provide guidance to STRTP providers to facilitate the IMD determination reviews.

An IMD is "a hospital, nursing facility, or other institution of more than 16 beds that is primarily engaged in providing diagnosis, treatment, or care of persons with mental diseases, including medical attention, nursing care, and related services. Whether an institution is an institution for mental diseases is determined by its overall character as that of a facility established and maintained primarily for the care and treatment of individuals with mental diseases, whether or not it is licensed as such." A facility designated as an IMD is not eligible to claim FFP for any expenditure for services provided to IMD residents.

Initially, the DHCS required the IMD determination be completed by December 31, 2021. However, on December 3, 2021, Casa de Amparo received confirmation that it is IMD determination due date was deferred to December 31, 2022.

In order to continue receiving FFP, Casa de Amparo reduced its number of STRTP beds from 38 to 32 and obtained a second STRTP program/license from CDSS for 16 and 16 (total 32) on the San Marcos campus. Each program/license has its own distinct address. In August 2022, Casa de Amparo was awarded $797,756 to support the organization's transition plan to two STRTP programs.

On May 30, 2023, Wells Fargo Bank deleted all financial reporting, condition, or performance covenants with specific due dates or reporting and compliance periods for the loan payable.

The Organization has evaluated subsequent events through July 14, 2023, which is the date the financial statements are available for issuance, and concluded that there are no additional transactions that requires disclosure.

Reclassification of Prior Year Presentation - Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the total change in net assets.

Note 3 - Fair Value Measurements

Due to the short-term nature of cash equivalents, receivables, prepaid expense, accounts payable and deferred income, fair value approximates carrying value. In accordance with FASB Codification No. 820 (“FASB ASC 820”), fair value is defined as the price that the Organization would receive upon selling an asset or transferring a liability in an orderly transaction to an independent buyer in the principal or most advantageous market of the asset.

FASB ASC 820 also establishes a three-tier hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs and to establish the classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity’s own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

The standard describes three-tier hierarchy of inputs that may be used to measure fair value as follows.

- **Level 1:** Quoted prices (unadjusted) of identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

- **Level 2:** Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data.

- **Level 3:** Significant unobservable inputs that reflect the Organization’s own assumptions about the assumptions that market participants would use in pricing an asset or liability.

Assets and liabilities measured at fair value on a recurring basis are summarized as below:

		Fair Value Measurements at June 30, 2022, Using:		
June 30, 2022	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs Level 3
Endowment Investor Pools:				
San Diego Foundation	$ 331,719	$ -	$ 331,719	$ -
Jewish Community Foundation of San Diego	352,009	-	352,009	-
Fair value, end of year	$ 683,728	$ -	$ 683,728	$ -

Note 3 - Fair Value Measurements (continued)

			Fair Value Measurements at June 30, 2021, Using:				
June 30, 2021		Total		Quoted Prices in Active Markets for Identical Assets (Level 1)		Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs Level 3
Endowment Investor Pools:							
San Diego Foundation	$	345,872	$	-	$	345,872	$ -
Jewish Community Foundation of San Diego		393,022		-		393,022	-
Fair value, end of year	$	738,894	$	-	$	738,894	$ -

Note 4 - 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. 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 68% of its revenue from government contracts for the year ended June 30, 2022, compared to 64% in the prior fiscal year. 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. For the year ended June 30, 2021, the Organization received $4.9 million or 37% of its total revenue from Residential Services (STRTP) and $1.7 million or 12% of its total revenue from its New Directions transitional housing program.

Pledges receivable totaled $502,427 at June 30, 2022 and $507,427 as of June 30, 2021. Of the total pledges receivable, $500,000 is from one foundation.

Note 5 - Pledges Receivable

Pledges receivable consist of the following at June 30:

	2022	2021
Net pledges receivable	$ 510,000	$ 515,000
Less imputed discount	(7,573)	(7,573)
Less allowance for doubtful accounts	-	-
	$ 502,427	$ 507,427
Contributions receivable consist of the following:		
Due in less than one year	$ 250,000	$ 255,000
Due in one to five years	260,000	260,000
	$ 510,000	$ 515,000

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

Note 6 - 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	38.9%
Hedge Funds	15.4%
Private Equity	13.6%
Fixed Income	10.6%
Real Estate	9.5%
Real Assets	7.4%
Private Credit	4.4%
Cash	0.2%

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 6 - Funds Held by Community Foundations (continued)

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

Asset Class	%
Equity	49.2%
Real Assets	25.3%
Defensive Hedge Funds	13.7%
Defensive Fixed Income	11.8%

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 7 - Property and Equipment

Property and equipment consist of the following at June 30:

	2022	2021
Buildings	$ 14,543,500	$ 14,543,499
Furniture and equipment	360,648	360,363
Vehicles	334,638	334,710
	15,238,786	15,238,572
Less: accumulated depreciation	(4,591,036)	(4,143,066)
	10,647,750	11,095,506
Land	916,587	916,587
Construction in Progress	1,136,558	843,145
	$ 12,700,895	$ 12,855,238

Note 8 - 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, 2022. Effective May 30, 2023, Wells Fargo Bank deleted all financial reporting, condition, or performance covenants with specific due dates or reporting and compliance periods for the loan.

The aggregate principal payments due under the loan are as follows:

Years ending June 30,	
2023	$ 121,320
2024	2,462,360
	$ 2,583,680

Note 9 - Contingencies and Commitments

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.

Operating Leases – The Organization leases program facilities under non-cancelable operating leases, which expire at various dates through July 2023. Total rent expense was $559,716 and $530,209 for the years ended June 30, 2022 and 2021, respectively.

Future lease payments under operating leases are forecasted to total $167,580 for the year ended June 30, 2023.

The Organization leases real property from the City of Oceanside located at Ivey Ranch Park. The Organization constructed a facility on the Ivey Ranch property that is used for its Family Visitation and New Directions programs. The lease commenced in 2007 with a term of 35 years and an option to extend an additional 25 years. Rent is free as long as the facility is used to provide family visitation and counseling services. The unamortized fair value of the free rent is reported as land lease in the statements of financial position. Amortization of the free use of land was $53,193 for the years ended June 30, 2022 and 2021.

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 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:

	2022	2021
Restricted for specified purpose:		
Land Lease – Ivey Ranch	$ 913,150	$ 966,343
Capital Campaign for Teen Wellness Center and Support Services building	5,947,906	4,638,139
Total restricted for specified purpose	6,861,056	5,604,482
Endowments subject to the Organization's spending policy and appropriation	160,489	167,349
Total net assets with donor restrictions	$ 7,021,545	$ 5,771,831

Net assets in the amounts of $311,839 and $401,349 released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors for the years ended June 30, 2022 and 2021, 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, 2022 and 2021, 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, 2022, the Organization had $804,992 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, 2022, 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,	2022
Financial assets at year-end:	
Cash and cash equivalents	$ 6,856,305
Grants receivable	961,832
Pledges / Other Grants receivable	502,427
Funds held by community foundations	683,728
Total financial assets	9,004,292
Less:	
Amounts not available to be used within one year:	
Restricted by donors with purpose restriction	(5,947,906)
Pledges receivable to be collected in more than one year	(252,427)
Amounts available to management with Board's approval:	
Community foundation Organization fund	(352,009)
Amounts unavailable to management in perpetuity:	
Donor restricted endowment	(160,489)
Board-designated endowment	(171,230)
Financial assets available to meet cash needs for general expenditures within one year	$ 2,120,231

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

Note 13 - Endowment Funds (continued)

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, 2022 are as follows:

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

Changes in endowment net assets for the year ended June 30, 2021 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment assets, June 30, 2020	**$ 441,042**	**$ 128,201**	**$ 569,243**
Investment return, net	130,503	39,148	169,651
Endowment assets, June 30, 2021	**$ 571,545**	**$ 167,349**	**$ 738,894**

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, 2022 and 2021.

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 grow the endowment to a size that will have a meaningful impact in stabilizing the revenues of the Organization.

Note 13 - Endowment Funds (continued)

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 – Coronavirus Pandemic

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (“COVID-19”) pandemic. While the disruption is currently expected to be temporary, there is uncertainty around the duration and extent of the impact on the Organization, its operations and its financial condition. For the year ended June 2022 and June 2021, Casa de Amparo incurred $0 and $183,926 in non-recurring expenses related to the COVID-19 pandemic, respectively. These expenses include, but are not limited to, the purchase of personal protective equipment (“PPE”) equipment, the implementation of a recurring deep cleaning sanitization protocol and hazard pay for its front-line essential workers.

Casa de Amparo received $371,731 in grants from the CARES Act Provider Relief Fund, which supports healthcare providers, including residential treatment facilities, in the battle against the COVID-19 pandemic. These grants do not need to be repaid to the US government if the provider uses the funds to prevent, prepare for, and respond to coronavirus, and for related expenses or lost revenues attributable to coronavirus. In accordance with the terms and conditions of this program, Casa de Amparo deferred use of these funds to the 2nd quarter of fiscal year 2021-22 to offset lost revenue in its Residential Services and Counseling Services programs.

On July 21, 2021, California authorized the California Department of Social Services (“CDSS”) to provide funds through grants to STRTP that experienced added expenses and lost revenue due to the COVID-19 pandemic. In March 2022, CDSS sent $395,340 to Casa de Amparo to help cover the organization’s lost revenue due to the pandemic. The funding was a one-time General Fund allocation for Fiscal Year 2021-22.

Note 15 - June 30, 2021 Financial Information

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conduction with the Organization’s financial statements for the year ended June 30, 2021, from which the summarized information was derived.

Supplemental Information

Casa de Amparo

Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/ Assistance Listing Program Title	Pass-Through Entity Identifying Number	Federal Assistance Listing Number	Federal Expenditures
FEDERAL			
U.S. Department of Health and Human Services			
Pass-through County of San Diego Health and Human Services:			
Foster Care Title IV - E - Foster Care	561015	93.658	$ 553,980
Foster Care Title IV - E - Foster Care	553328	93.658	137,504
Social Services Block Grant	561015	93.667	68,707
Total Pass-through County of San Diego Health and Human Services			760,191
Provider Relief Fund and American Rescue Plan Rural Distribution	N/A	93.498	371,731
Total U.S. Department of Health and Human Services			**1,131,922**
U.S. Department of Housing and Urban Development			
Pass-through City of San Marcos:			
Community Development Block Grants/Entitlement Grants	N/A	14.218	25,000
Total Expenditures of Federal Awards			**1,156,922**
STATE			
California Department of Social Services			
Transitional Housing Program Plus	553404	n/a	375,182
Transitional Youth Housing	556091	n/a	41,177
Total California Department of Social Services			**416,359**
California Department of Child Welfare Services			
COVID-19 Relief			395,340
Title IV-E and Title IV-E Waiver	553328	n/a	114,009
Total Expenditures of State Awards			**925,708**
Other Awards - County and Local			
County - Foster Care Group home and Transitional Housing Program Plus Foster Care	561015	n/a	4,813,344
Total Expenditures of Other Awards - County and Local			**4,813,344**
Total Expenditures of Federal, State and Other Awards			**$ 6,895,974**

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, 2022. 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 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 funding is unknown at the time of audit fieldwork.

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 Audit Committee
Casa de Amparo
San Marcos, California

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** (the "Organization"), which comprise the statement of financial position as of June 30, 2022, and the related statement of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated July 14, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization'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 the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 were not identified. We identified a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization'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 financial statements. 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*.

Organization's Response to Findings

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

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mayer Hoffman McCann P.C.

San Diego, California
July 14, 2023

Report on Compliance For Each Major Federal Program and Report on Internal Control over Compliance

To the Audit Committee
Casa de Amparo
San Marcos, California

Report on Compliance for Each Major Federal Program

We have audited Casa de Amparo's (the "Organization") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2022. The Organization'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, the Organization complied, in all material respects, with the 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, 2022.

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 ("GAAS"); the standards applicable to financial audits contained in *Government Auditing Standards* 40 issued by the Comptroller General of the United States of America; 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 the Organization 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 the Organization'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 the Organization's federal programs.

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 to do with fraud or error, and express an opinion on the Organization'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 GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect a material noncompliance when it exists.

Mayer Hoffman McCann P.C.
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San Diego, CA 92128
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The risk of not detecting a 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 the Organization's compliance with the requirements of each major program as a whole.

In performing an audit in accordance with GAAS, *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 the Organization'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 the Organization'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 the Organization'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 are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2022-002. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the Organization's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Organization'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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2022-02 to be a material weakness.

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.

Government Auditing Standards requires the auditor to perform limited procedures on the Organization's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Organization'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.

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.

Mayer Hoffman McCann P.C.

San Diego, California
July 14, 2023

Casa de Amparo

Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

Section 1	**Summary of Auditors' Results**
<u>Financial Statements</u>	
1. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
2. Internal control over financial reporting:	
a. Material weaknesses identified?	Yes
b. Significant deficiencies identified?	None Reported
3. Noncompliance material to financial statements noted?	No
<u>Federal Awards</u>	
1. Internal control over major federal programs:	
a. Material weaknesses identified?	Yes
b. Significant deficiencies identified?	None Reported
2. Type of auditors' report issued on compliance for major federal programs:	Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	Yes
4. Identification of major federal programs:	
<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
93.658	Foster Care – Title IV-E
93.498	Provider Relief Fund and American Rescue Plan Rural Distribution
5. Dollar threshold used to distinguish between Type A and Type B programs:	$750,000
6. Auditee qualified as a low-risk auditee?	No

Casa de Amparo

Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

***Section II -* Financial Statement Findings**

Finding Number 2022-001: 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 in-kind revenue.
- 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 concurs with the finding. The Organization revised its review procedures so that they are not impacted by employee turnover. The revised process includes cross-training multiple employees on each critical review process. These steps should correct the deficiency.

Section III - Federal Award Findings and Questioned Costs

Finding Number 2022-002: Allowable Costs/Cost Principles and Reporting, 93.658 Foster Care – Title IV-E pass-through County of San Diego Health and Human Services, 93.498 Provider Relief Fund and American Rescue Plan Rural Distribution. Grant Award Period Year Ended June 20, 2022

Criteria
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.

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. Refer to finding 2022-001 for more details.

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

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

Questioned Costs
None reported.

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

Identification as a Repeat Finding
Not a repeat finding

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 concurs with the finding. The Organization revised its review procedures so that they are not impacted by employee turnover. The revised process includes cross-training multiple employees on each critical review process. These steps should correct the deficiency.