Casa de Amparo

Financial Statements and
Supplemental Information
As of and for the Year Ended June 30, 2021
(With Comparative Information for June 30, 2020)

Casa de Amparo

Contents

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Independent Auditors' Report

To the Audit Committee
Casa de Amparo
San Marcos, California

Report on the Financial Statements

We have audited the accompanying financial statements of Casa de Amparo (the "Organization"), a nonprofit entity, which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Casa de Amparo as of June 30, 2021, 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.

Other Matters

Report on Summarized Comparative Information

We have previously audited Casa de Amparo's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 8, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 3, 2022 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
March 3, 2022

Casa de Amparo

Statements of Financial Position

As of June 30,	2021	2020
ASSETS		
Current assets		
Cash and cash equivalents	$ 6,886,780	$ 4,680,797
Grants receivable	1,063,254	955,301
Pledges receivable, net	255,000	255,000
Prepaid expenses and other current assets	192,661	109,260
Total current assets	8,397,695	6,000,358
Pledges receivable, net of current portion	252,427	257,282
Land lease	966,343	1,019,536
Deposits	38,842	28,587
Funds held by community foundations	738,894	569,243
Property and equipment, net of depreciation	12,855,238	13,076,192
Total noncurrent assets	14,851,744	14,950,840
Total assets	$ 23,249,439	$ 20,951,198
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	$ 109,591	$ 81,849
Accrued compensation and other expenses	804,528	733,084
Loan payable, current portion	121,320	114,452
Deferred revenue	404,233	456,028
Total current liabilities	1,439,672	1,385,413
Other liabilities		
Loan payable, net of current portion	2,582,663	2,706,874
Total liabilities	4,022,335	4,092,287
Net assets		
Without donor restrictions	13,455,273	13,503,044
With donor restrictions	5,771,831	3,355,867
Total net assets	19,227,104	16,858,911
Total liabilities and net assets	$ 23,249,439	$ 20,951,198

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

Casa de Amparo

Statements of Activities

Year Ended June 30, 2021

(With Summarized Financial Information for year ended June 30, 2020)

	Without Donor Restrictions	With Donor Restrictions	Total	2020 Total
REVENUE AND SUPPORT				
Grant Revenue	$ 8,632,004	$ -	$ 8,632,004	$ 8,253,704
Contributions	940,049	2,778,164	3,718,213	1,281,720
Special events revenue and related contributions	388,475	-	388,475	390,152
In-kind donations	541,051	-	541,051	229,425
Interest and other income	188,217	39,149	227,366	109,186
Net assets released from restrictions	401,349	(401,349)	-	-
Total operating revenue and support	11,091,145	2,415,964	13,507,109	10,264,187
EXPENSES				
Program Services	9,429,576	-	9,429,576	8,561,326
General and administrative	1,024,935	-	1,024,935	934,219
Fundraising	589,261	-	589,261	579,684
Special events expense	95,144	-	95,144	144,755
Total Expenses	11,138,916	-	11,138,916	10,219,984
Change in net assets	(47,771)	2,415,964	2,368,193	44,203
Net assets, beginning of year	13,503,044	3,355,867	16,858,911	16,814,708
Net assets, end of year	$ 13,455,273	$ 5,771,831	$ 19,227,104	$ 16,858,911

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, 2021

(With Summarized Financial Information for the year ended June 30, 2020)

	Residential Services (STRTP)	New Directions Transitional Housing	Counseling Services	Family Visitation	Total Program Services	General and Administrative	Fundraising and Special Events	2021 Total	2020 Total
Salaries	$3,163,367	$436,889	$1,008,741	$272,433	$4,881,430	$657,795	$453,952	$5,993,177	$5,336,939
Benefits	920,018	83,761	182,600	45,747	1,232,126	149,790	61,542	1,443,458	1,320,769
Occupancy	289,939	664,191	53,369	26,188	1,033,687	29,019	8,370	1,071,076	1,053,855
Supplies	456,732	281,206	5,764	57,858	801,560	7,680	2,771	812,011	491,784
Depreciation & amortization	268,962	84,701	82,621	35,925	472,209	27,804	11,208	511,221	507,477
Program expense	134,399	244,841	6,006	1,154	386,400	5,444	1,735	393,579	378,029
Professional services	50,985	13,053	84,210	6,606	154,854	40,084	7,430	202,368	259,340
Other expenses	60,330	1,480	1,583	460	63,853	56,841	22,058	142,752	225,196
Transportation	56,836	30,127	1,207	46,807	134,977	3,393	2,271	140,641	120,287
Interest expense	63,792	19,856	19,609	10,766	114,023	6,491	2,661	123,175	127,944
Special event expense	-	-	-	-	-	2,239	92,905	95,144	144,755
Equipment expense	43,861	7,289	8,549	3,689	63,388	18,413	9,014	90,815	134,461
Telephone	31,863	23,829	11,727	3,978	71,397	2,570	2,649	76,616	67,089
Training, meetings, other	13,492	2,067	2,863	1,250	19,672	17,372	5,839	42,883	52,059
Total functional expenses	$5,554,576	$1,893,290	$1,468,849	$512,861	$9,429,576	$1,024,935	$684,405	$11,138,916	$10,219,984

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,	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 2,368,193	$ 44,203
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	458,028	454,284
Amortization of donated property	53,193	53,193
Realized and unrealized investment gains	(169,652)	(1,220)
Change in discount of pledges receivable	(145)	(436)
Loss (gain) on sale of fixed assets	1,350	(2,719)
Changes to operating assets and liabilities:		
Grants receivable	(107,953)	402,820
Pledges receivable	5,000	14,922
Prepaid expenses and other current assets	(83,401)	78,237
Deposits	(10,255)	49,309
Accounts payable	27,742	(57,248)
Accrued compensation and other expenses	71,444	76,765
Deferred revenue	(51,795)	424,656
Net cash provided by operating activities	2,561,749	1,536,766
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(65,455)	(64,547)
Additions to construction in progress	(184,630)	(248,286)
Proceeds from sale of property and equipment	11,662	38,937
Net cash flows used in investing activities	(238,423)	(273,896)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments on loan payable	(117,343)	(107,086)
Net cash used in financing activities	(117,343)	(107,086)
Change in cash and cash equivalents	2,205,983	1,155,784
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	4,680,797	3,525,013
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 6,886,780	$ 4,680,797
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	$ 123,175	$ 129,458

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 Services provides supervised visits and promotes healthy family relationships and reunification.

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 Short-Term Residential Therapeutic Program (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.

Note 1 - Nature of activities (continued)

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 April of 2022.

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.

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, 2021 and 2020, the ending value of the land lease is $966,343 and $1,019,536, 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.

Note 2 - Summary of significant accounting policies (continued)

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 at June 30, 2021 and 2020.

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 at June 30, 2021 and 2020.

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 $458,028 and $454,284 for the years ended June 30, 2021 and 2020, respectively.

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, 2021, the Organization did not identify any events or circumstances that would require recognition of an impairment loss under this standard.

Donated Stock – In accordance with authoritative guidance, investments in equity securities with readily determinable fair market values and all debt securities are reported at fair value with gains and losses included in the statement of activities. Realized gains and losses on the sale of securities are based upon the original cost of the security, as determined by the specific identification method. Unrealized gains and losses represent the change in the fair market value of the individual investments for the year or since the acquisition date if acquired during the year and are recorded in the statement of activities as part of current year operations.

Securities acquired by gift are recorded at their fair market value at the date of the gift. The Organization's policy is to liquidate all gifts of securities immediately upon receipt.

Note 2 - Summary of significant accounting policies (continued)

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 $541,051 and $229,425 in operational expenses related to in-kind donations for the years ended June 30, 2021 and 2020, respectively. The Organization receives a substantial amount 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 Financial Accounting Standards Board (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.

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 March 3, 2022, which is the date the financial statements are available for issuance.

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're eligible to claim federal financial

Note 2 - Summary of significant accounting policies (continued)

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.

In order to continue receiving FFP, Casa de Amparo would have to reduce its number of STRTP beds from 38. Alternatively, Casa de Amparo is exploring having two STRTP licenses from CDSS for 16 each (total 32) on the San Marcos campus, each program/license with its own distinct address. If the latter option is approved by DHCS, Casa de Amparo would be able to provide a total of 32 STRTP beds.

Initially, the DHCS required the IMD determination be completed by December 31, 2021. However, on November 23, 2021, Casa de Amparo received confirmation that it’s IMD determination due date was deferred to December 31, 2022.

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 Financial Accounting Standards Board 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.

Note 3 - Fair Value Measurements (continued)

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

		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	$ -

		Fair Value Measurements at June 30, 2020, Using:		
June 30, 2020	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	$ 265,794	$ -	$ 265,794	$ -
Jewish Community Foundation of San Diego	303,449	-	303,449	-
Fair value, end of year	$ 569,243	$ -	$ 569,243	$ -

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 64% and 80% of its revenue from government contracts for the years ended June 30, 2021 and 2020, respectively. 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. For the year ended June 30, 2020, the Organization received $5 million or 50% of its total revenue from Residential Services (STRTP) and $1.5 million or 15% of its total revenue from its New Directions transitional housing program.

Pledges receivable totaled $507,427 and $520,000 as of June 30, 2021 and June 30, 2020, respectively. Of the total pledges receivable, $500,000 is from one foundation.

Note 5 - Pledges Receivable

Pledges receivable consist of the following at June 30:

	2021	2020
Net pledges receivable	$ 515,000	$ 520,000
Less imputed discount	(7,573)	(7,718)
Less allowance for doubtful accounts	-	-
	$ 507,427	$ 512,282

Contributions receivable consist of the following:		
Due in less than one year	$ 255,000	$ 255,000
Due in one to five years	260,000	265,000
	$ 515,000	$ 520,000

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	47.9%
Hedge Funds	14.0%
Fixed Income	14.1%
Real Assets	6.2%
Real Estate	5.5%
Private Equity	12.0%
Cash	0.3%

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	59.5%
Defensive Fixed Income	11.9%
Real Assets	16.1%
Defensive Hedge Funds	12.5%

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:

	2021	2020
Buildings	$ 14,543,499	$ 14,523,664
Furniture and equipment	360,363	357,781
Vehicles	334,710	313,978
	15,238,572	15,195,423
Less: accumulated depreciation	(4,143,066)	(3,694,332)
	11,095,506	11,501,091
Land	916,587	916,587
Construction in Progress	843,145	658,514
	$ 12,855,238	$ 13,076,192

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, 2021.

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

Years ending June 30,	
2022	$ 121,320
2023	126,704
2024	2,455,959
	$ 2,703,983

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 2021. Total rent expense was $530,209 and $514,248 for the years ended June 30, 2021 and 2020, respectively.

Future minimum lease payments under operating leases are $145,969 for the year ended June 30, 2022.

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, 2021 and 2020.

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:

		2021		2020
Restricted for specified purpose:				
Land Lease – Ivey Ranch	$	966,343	$	1,019,536
Capital Campaign for Teen Wellness Center and Support Services building		4,638,139		2,208,130
Total restricted for specified purpose		5,604,482		3,227,666
Endowments subject to the Organization's spending policy and appropriation		167,349		128,201
Total net assets with donor restrictions	$	5,771,831	$	3,355,867

Net assets in the amounts of $401,349 and $318,002 released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors for the years ended June 30, 2021 and 2020, 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, 2021 and 2020, respectively.

Note 12 - Information Regarding Liquidity and Availability

Contract revenue from the federal, state and local governments historically represent approximately 80% of the Organization's funding needs. Support without donor restrictions averaged 15%, 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

Note 12 - Information Regarding Liquidity and Availability (continued)

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, 2021, the Organization had $1,025,636 available in its operating reserve accounts. Additionally, the Organization has Board Designated net assets without donor restrictions totaling $571,545 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, 2021, 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,	2021
Financial assets at year-end:	
Cash and cash equivalents	$ 6,886,780
Grants receivable	1,063,254
Pledges receivable	507,427
Funds held by community foundations	738,894
Total financial assets	9,196,355
Less:	
Amounts not available to be used within one year:	
Restricted by donors with purpose restriction	(4,638,139)
Pledges receivable to be collected in more than one year	(252,427)
Amounts available to management with Board's approval:	
Community foundation Organization fund	(393,022)
Amounts unavailable to management in perpetuity:	
Donor restricted endowment	(167,349)
Board-designated endowment	(178,523)
Financial assets available to meet cash needs for general expenditures within one year	$ 3,566,895

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

Note 13 - Endowment Funds (continued)

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, 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**

Changes in endowment net assets for the year ended June 30, 2020 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment assets, June 30, 2019	**$ 440,929**	**$ 127,094**	**$ 568,023**
Investment return, net	113	1,107	1,220
Endowment assets, June 30, 2020	**$ 441,042**	**$ 128,201**	**$ 569,243**

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, 2021 and 2020.

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.

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 and Paycheck Protection Program

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. From July 2020 through June 2021, Casa de Amparo incurred $183,926 in non-recurring expenses related to the COVID-19 pandemic. 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 a Paycheck Protection Program (PPP) loan of $979,824 granted by the Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) in May

Note 14 – Coronavirus Pandemic and Paycheck Protection Program (continued)

2020. PPP loans are considered conditional contributions, with a right-of return in the form of an obligation to be repaid if a barrier to entitlement is not met. The barrier is that PPP loan funds must be used to maintain compensation costs and employee headcount, and other qualifying expenses (mortgage interest, rent and utilities) incurred following receipt of the funds. The Organization recognizes the amount received as grant revenue as qualified expenses occur and barriers to entitlement are met. As of June 30, 2020, $543,654 was recognized as revenue and the balance of $436,170 was recorded as deferred revenue as of June 30, 2020. As of June 30, 2021, the unrecognized portion of $436,170 was fully recognized.

On April 15, 2021, the Organization received notification that the entire balance of the PPP loan had been forgiven.

Casa de Amparo received $371,731 in grants from the CARES Act Provider Relief Fund during 2021, 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 United States 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.

Note 15 - June 30, 2020 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, 2020, from which the summarized information was derived.

Supplemental Information

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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
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"), a nonprofit organization, which comprise the statement of financial position as of June 30, 2021, and the related statements 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 March 3, 2022.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 determination of 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.*

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
March 3, 2022