# Casa de Amparo

Financial Statements and
Supplemental Information
As of and for the Year Ended June 30, 2020
(With Comparative Information for June 30, 2019)

MHM

# 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 corporation, which comprise the statement of financial position as of June 30, 2020, 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, 2020, 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.

## Report on Summarized Comparative Information

We have previously audited Casa de Amparo's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 22, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Mayer Hoffman McCann P.C.

San Diego, California
January 8, 2021

# Casa de Amparo

## Statements of Financial Position

| *As of June 30,* | 2020 | 2019 |
|---|---|---|
| **ASSETS** | | |
| Current assets | | |
| Cash and cash equivalents | $ 4,680,797 | $ 3,525,013 |
| Grants receivable | 955,301 | 1,358,121 |
| Pledges receivable, net | 255,000 | 284,050 |
| Prepaid expenses and other current assets | 109,260 | 187,497 |
| Total current assets | 6,000,358 | 5,354,681 |
| | | |
| Pledges receivable, net of current portion | 257,282 | 242,718 |
| Land lease | 1,019,536 | 1,072,729 |
| Deposits | 28,587 | 77,896 |
| Funds held by community foundations | 569,243 | 568,023 |
| Property and equipment, net of depreciation | 13,076,192 | 13,253,861 |
| Total noncurrent assets | 14,950,840 | 15,215,227 |
| Total assets | $ 20,951,198 | $ 20,569,908 |
| | | |
| **LIABILITIES AND NET ASSETS** | | |
| Current liabilities | | |
| Accounts payable | $ 81,849 | $ 139,097 |
| Accrued compensation and other expenses | 733,084 | 656,319 |
| Loan payable, current portion | 114,452 | 109,258 |
| Deferred revenue | 456,028 | 31,372 |
| Total current liabilities | 1,385,413 | 936,046 |
| | | |
| Other liabilities | | |
| Loan payable, net of current portion | 2,706,874 | 2,819,154 |
| Total liabilities | 4,092,287 | 3,755,200 |
| | | |
| Net assets | | |
| Without donor restrictions | 13,503,044 | 13,458,841 |
| With donor restrictions | 3,355,867 | 3,355,867 |
| Total net assets | 16,858,911 | 16,814,708 |
| Total liabilities and net assets | $ 20,951,198 | $ 20,569,908 |

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

# Casa de Amparo

## Statement of Activities

### Year Ended June 30, 2020

### (With Summarized Comparative Information for year ended June 30, 2019)

| | Without Donor Restrictions | With Donor Restrictions | Total | 2019 Total |
|---|---|---|---|---|
| **REVENUE AND SUPPORT** | | | | |
| Grant revenue | $ 8,253,704 | $ - | $ 8,253,704 | $ 6,588,330 |
| Contributions | 964,825 | 316,895 | 1,281,720 | 1,121,488 |
| Special events revenue and related contributions | 390,152 | - | 390,152 | 617,691 |
| In-kind donations | 229,425 | - | 229,425 | 319,577 |
| Interest and other income | 108,079 | 1,107 | 109,186 | 117,802 |
| Net assets released from restrictions | 318,002 | (318,002) | - | - |
| Total operating revenue and support | 10,264,187 | - | 10,264,187 | 8,764,888 |
| **EXPENSES** | | | | |
| Program services | 8,561,326 | - | 8,561,326 | 7,631,363 |
| General and administrative | 934,219 | - | 934,219 | 637,083 |
| Fundraising | 579,684 | - | 579,684 | 458,685 |
| Special events | 144,755 | - | 144,755 | 169,375 |
| Total expenses | 10,219,984 | - | 10,219,984 | 8,896,506 |
| Change in net assets | 44,203 | - | 44,203 | (131,618) |
| Net assets, beginning of year | 13,458,841 | 3,355,867 | 16,814,708 | 16,946,326 |
| Net assets, end of year | $ 13,503,044 | $ 3,355,867 | $ 16,858,911 | $ 16,814,708 |

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

# Casa de Amparo

## Statement of Functional Expenses

### Year Ended June 30, 2020

### (With Summarized Comparative Information for the year ended June 30, 2019)

| | Residential Services (STRTP) | New Directions Transitional Housing | Counseling Services | Family Visitation | Total Program Services | General and Administrative | Fundraising and Special Events | 2020 Total | 2019 Total |
|---|---|---|---|---|---|---|---|---|---|
| Salaries | $ 3,266,274 | $ 427,383 | $ 574,967 | $ 226,785 | $ 4,495,409 | $ 416,947 | $ 424,583 | $ 5,336,939 | $ 4,533,118 |
| Benefits | 877,379 | 83,591 | 123,064 | 32,972 | 1,117,006 | 133,896 | 69,867 | 1,320,769 | 1,122,354 |
| Occupancy | 266,457 | 669,306 | 55,046 | 34,320 | 1,025,129 | 21,562 | 7,164 | 1,053,855 | 992,884 |
| Depreciation & amortization | 266,982 | 84,394 | 82,044 | 35,761 | 469,181 | 27,166 | 11,130 | 507,477 | 507,619 |
| Supplies | 292,080 | 115,494 | 5,383 | 70,211 | 483,168 | 5,964 | 2,652 | 491,784 | 538,082 |
| Program expense | 130,228 | 240,951 | 2,198 | 960 | 374,337 | 2,207 | 1,485 | 378,029 | 340,699 |
| Professional services | 57,828 | 16,081 | 62,880 | 5,768 | 142,557 | 115,357 | 1,426 | 259,340 | 183,567 |
| Other expenses | 31,218 | 4,993 | 714 | 336 | 37,261 | 152,584 | 35,351 | 225,196 | 70,850 |
| Special event expense | - | - | - | - | - | - | 144,755 | 144,755 | 169,375 |
| Equipment expense | 67,031 | 8,436 | 14,833 | 5,328 | 95,628 | 27,822 | 11,011 | 134,461 | 51,619 |
| Interest expense | 67,003 | 20,009 | 20,596 | 10,724 | 118,332 | 6,818 | 2,794 | 127,944 | 132,320 |
| Transportation | 49,983 | 33,937 | 2,341 | 28,617 | 114,878 | 1,551 | 3,858 | 120,287 | 138,101 |
| Telephone | 29,629 | 21,211 | 7,297 | 3,644 | 61,781 | 2,547 | 2,761 | 67,089 | 54,627 |
| Training, meetings, other | 15,790 | 3,897 | 4,941 | 2,031 | 26,659 | 19,798 | 5,602 | 52,059 | 61,291 |
| Total functional expenses | $ 5,417,882 | $ 1,729,683 | $ 956,304 | $ 457,457 | $ 8,561,326 | $ 934,219 | $ 724,439 | $ 10,219,984 | $ 8,896,506 |

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,* | 2020 | 2019 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | $ 44,203 | $ (131,618) |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: | | |
| Depreciation | 454,284 | 454,426 |
| Amortization of donated property | 53,193 | 53,193 |
| Change in provision for uncollectable pledges | - | (80,000) |
| Change in discount of pledges receivable | (436) | (518) |
| Realized and unrealized investment gains | (1,220) | (19,372) |
| Gain on sale of fixed assets | (2,719) | - |
| Changes to operating assets and liabilities: | | |
| Grants receivable | 402,820 | (792,074) |
| Pledges receivable | 14,922 | 149,780 |
| Prepaid expenses and other current assets | 78,237 | (46,408) |
| Deposits | 49,309 | (15,594) |
| Accounts payable | (57,248) | 22,372 |
| Accrued compensation and other expenses | 76,765 | 177,849 |
| Deferred revenue | 424,656 | 31,372 |
| Net cash provided by (used in) operating activities | 1,536,766 | (196,592) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of property and equipment | (64,547) | (31,400) |
| Additions to construction in progress | (248,286) | (425,770) |
| Proceeds from sale of property and equipment | 38,937 | - |
| Net cash flows used in investing activities | (273,896) | (457,170) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Repayments on loan payable | (107,086) | (104,224) |
| Net cash used in financing activities | (107,086) | (104,224) |
| Change in cash and cash equivalents | 1,155,784 | (757,986) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | 3,525,013 | 4,282,999 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | $ 4,680,797 | $ 3,525,013 |
| SUPPLEMENTAL CASH FLOW INFORMATION | | |
| Cash paid for interest | $ 129,458 | $ 132,320 |

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. Our 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 March of 2021.

On April 1, 2020, Casa de Amparo modified its Residential Outpatient Children's Mental Health Services contract with the County of San Diego to add a structured Half Day Rehabilitation Program, in addition to Outpatient Services for the children participating in its STRTP program. The modification also increased Casa de Amparo's annual funding under this contract from $480,000 to $1.5 million.

**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* – On June 21, 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-08: *Clarifying the Scope and the Accounting Guidance for Contributions Received*. Casa de Amparo applied the new criteria under ASU 2018-08 to each of its 2020 grant sources and concluded that no changes are required to its current revenue recognition policy.

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.

**Note 2 - Summary of Significant Accounting Policies (continued)**

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, 2020 and 2019, the ending value of the land lease is $1,019,536 and $1,072,729, 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 at June 30, 2020 and 2019.

*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, 2020 and 2019.

*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 for the year ended June 30, 2020, was $454,284.

*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, 2020, 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

**Note 2 - Summary of Significant Accounting Policies (continued)**

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.

*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 statement of activities as in-kind donations and program and special event expenses. The Organization recorded a total of $229,425 and $319,577 in program expenses related to in-kind donations for the years ended June 30, 2020 and 2019, 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 FASB issued ASC 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* – On June 21, 2018, the FASB issued ASU 2018-08: *Clarifying the Scope and the Accounting Guidance for Contributions Received*. This ASU includes specific criteria to consider when determining whether a contract or agreement should be accounted for as a contribution or as an exchange transaction. It also provides a framework for determining whether a contribution is conditional or unconditional which will affect the timing of revenue recognition.

The determining factor for whether the Organization will account for a grant as a contribution or an exchange transaction is whether the asset provider is receiving commensurate value in return for those assets. If commensurate value is received, it is accounted for as an exchange transaction and follows revenue recognition or other applicable standards. If commensurate value is not received by the asset provider, it is accounted for as a contribution and follows contribution standards. If some value but not commensurate value is received, then it is accounted for as both an exchange transaction and a contribution.

Once the Organization has reviewed the grant and determined that it is a contribution, the next step is to determine whether the contribution is conditional or unconditional. An unconditional contribution is recognized immediately whereas a conditional contribution cannot be recorded until the conditions have been met.

**Note 2 - Summary of Significant Accounting Policies (continued)**

To be a conditional contribution, the grant must include both of the following:

1. A right of return to the asset provider or a right of release from the obligation to provide funds/assets (meaning that the asset provider has the right to get their funds back or not to release future payments on promises to give if the organization does not meet the conditions)
2. One or more barriers need to be overcome before the organization is entitled to the assets transferred or promised.

Casa de Amparo applied the new criteria under ASU 2018-08 to each of its 2020 grant sources and concluded that no changes are required to its current revenue recognition policy.

*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 January 8, 2021 which is the date the financial statements are available for issuance, and concluded that there are no transactions that requires disclosure.

**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 ASC 820, *Fair Value Measurements*, 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.

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, 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 | $ - |

| | | Fair Value Measurements at June 30, 2019, Using: | | |
|---|---|---|---|---|
| *June 30, 2019* | 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 | $ 263,383 | $ - | $ 263,383 | $ - |
| Jewish Community Foundation of San Diego | 304,640 | - | 304,640 | - |
| Fair value, end of year | $ 568,023 | $ - | $ 568,023 | $ - |

## 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 80% and 75% of its revenue from government contracts for the years ended June 30, 2020 and 2019, respectively. 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. For the year ended June 30, 2019, the Organization received $4 million or 45% of its total revenue from Residential Services (STRTP) and $1.5 million or 17% of its total revenue from its New Directions transitional housing program.

Pledges receivable totaled $520,000 at June 30, 2020 and $500,000 as of June 30, 2019. Of the total pledges receivable, $500,000 is from one foundation.

### Note 5 - Pledges Receivable

Pledges receivable consist of the following at June 30:

| | 2020 | 2019 |
|---|---|---|
| Net pledges receivable | $ 520,000 | $ 534,050 |
| Less imputed discount | (7,718) | (7,282) |
| Less allowance for doubtful accounts | - | - |
| | $ 512,282 | $ 526,768 |
| Contributions receivable consist of the following: | | |
| Due in less than one year | $ 255,000 | $ 284,050 |
| Due in one to five years | 265,000 | 250,000 |
| | $ 520,000 | $ 534,050 |

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 asset classes:

| Asset Class | % |
|---|---|
| Equity | 53.2% |
| Alternative | 21.9% |
| Fixed Income | 16.9% |
| Real Assets | 5.8% |
| Commodities | 1.9% |
| 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.

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

| Asset Class | % |
|---|---|
| Equity | 50.8% |
| Fixed Income | 12.0% |
| Real Assets | 6.3% |
| Multi-Strategy | 30.9% |

**Note 6 - Funds Held by Community Foundations (continued)**

The Organization reports the fair value of the funds in the statements 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:

| | 2020 | 2019 |
|---|---|---|
| Buildings | $ 14,523,664 | $ 14,202,958 |
| Furniture and equipment | 357,781 | 323,984 |
| Vehicles | 313,978 | 337,617 |
| | 15,195,423 | 14,864,559 |
| Less: accumulated depreciation | (3,694,332) | (3,262,215) |
| | 11,501,091 | 11,602,344 |
| Land | 916,587 | 916,587 |
| Construction in Progress | 658,514 | 734,930 |
| | $ 13,076,192 | $ 13,253,861 |

**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, 2020.

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

| *Years ending June 30,* | |
|---|---|
| 2021 | $ 114,452 |
| 2022 | 119,604 |
| 2023 | 125,455 |
| 2024 | 2,461,815 |
| | $ 2,821,326 |

**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 $514,248 and $540,409 for the years ended June 30, 2020 and 2019, respectively.

**Note 9 - Contingencies and Commitments (continued)**

Future minimum lease payments under operating leases are $179,385 for the year ended June 30, 2021.

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, 2020 and 2019.

**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:

| | 2020 | 2019 |
|---|---|---|
| **Restricted for specified purpose:** | | |
| Land Lease – Ivey Ranch | $ 1,019,536 | $ 1,072,729 |
| Capital Campaign for Teen Wellness Center and Support Services building | 2,208,130 | 2,156,044 |
| **Total restricted for specified purpose** | 3,227,666 | 3,228,773 |
| Endowments subject to the Organization's spending policy and appropriation | 128,201 | 127,094 |
| Total net assets with donor restrictions | $ 3,355,867 | $ 3,355,867 |

Net assets in the amounts of $318,002 and $403,929 were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors for the years ended June 30, 2020 and 2019, 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, 2020 and 2019, respectively.

**Note 12 - Information Regarding Liquidity and Availability**

Grant revenue from the federal, state and local governments 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 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, 2020, the Organization had $987,336 available in its operating reserve accounts. Additionally, the Organization has Board Designated net assets without donor restrictions totaling $303,448 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.

**Note 12 - Information Regarding Liquidity and Availability (continued)**

The following table reflects the Organization's financial assets as of June 30, 2020, 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,* | 2020 |
|---|---|
| Financial assets at year-end: | |
| Cash and cash equivalents | $ 4,680,797 |
| Grants receivable | 955,301 |
| Pledges / Other Grants receivable | 512,282 |
| Funds held by community foundations | 569,243 |
| Total financial assets | 6,717,623 |
| Less: | |
| Amounts not available to be used within one year: | |
| Restricted by donors with purpose restriction | (2,208,130) |
| Pledges receivable to be collected in more than one year | (257,282) |
| Amounts available to management with Board's approval: | |
| Community foundation Organization fund | (303,448) |
| Amounts unavailable to management in perpetuity: | |
| Donor restricted endowment | (128,201) |
| Board-designated endowment | (137,594) |
| Financial assets available to meet cash needs for general expenditures within one year | $ 3,682,968 |

**Note 13 - Endowment Funds**

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

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

**Note 13 - Endowment Funds (continued)**

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** |

Changes in endowment net assets for the year ended June 30, 2019 are as follows:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| **Endowment assets, June 30, 2018** | **$ 294,088** | **$ 254,563** | **$ 548,651** |
| Investment return, net | 15,172 | 4,200 | 19,372 |
| Reclassification | 131,669 | (131,669) | - |
| **Endowment assets, June 30, 2019** | **$ 440,929** | **$ 127,094** | **$ 568,023** |

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, 2020 and 2019.

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 April 2020 through June 2020, Casa de Amparo incurred $277,960 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), 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 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

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

grant revenue as qualified expenses occur and barriers to entitlement are met. The total amount recognized as of June 30, 2020 was $543,654. The unrecognized portion of $436,170 was recorded as deferred revenue as of June 30, 2020.

Application for forgiveness of the PPP loan will be made as soon as possible. However, at the time of issuance of the financial statements, notice of forgiveness had not been received from the lender. All indications are that the loan will be forgiven. However, if a portion of the loan must be repaid, the terms (1% per annum, repayable over a maximum of five years with a six-month deferral period) are such that the Organization has sufficient liquidity to repay the unforgiven portion.

**Note 15 - June 30, 2019 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, 2019, from which the summarized information was derived.