

**CASA PACIFICA CENTERS FOR
CHILDREN AND FAMILIES
SINGLE AUDIT REPORT AND
FINANCIAL STATEMENTS**

FOR THE YEAR ENDED JUNE 30, 2022

VASIN, HEYN & COMPANY

ABOVE THE BRIGHT LINE

AN ACCOUNTANCY CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS | AUDITORS AND ADVISERS



**CASA PACIFICA CENTERS FOR CHILDREN AND FAMILIES
(A California Non-Profit Corporation)
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Casa Pacifica Centers for Children and Families
(A California Non-Profit Corporation)
Camarillo, California

Opinion

We have audited the accompanying financial statements of Casa Pacifica Centers for Children and Families (A California Non-Profit Corporation) which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Casa Pacifica Centers for Children and Families as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Casa Pacifica Centers for Children and Families and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Adoption of Accounting Pronouncement

As described in Note 2 to the financial statements, Casa Pacifica Centers for Children and Families has adopted ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. Our opinion is not modified with respect to that matter.

INDEPENDENT AUDITORS' REPORT (Continued)

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Casa Pacifica Centers for Children and Families' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Casa Pacifica Centers for Children and Families' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Casa Pacifica Centers for Children and Families' ability to continue as a going concern for a reasonable period of time.

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

INDEPENDENT AUDITORS' REPORT (Continued)

Report on Summarized Comparative Information

Another auditor previously audited Casa Pacifica Centers for Children and Families' 2021 financial statements, and expressed an unmodified audit opinion on those audited financial statements in their report dated April 6, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

The summary financial statements do not contain all the disclosures required by accounting principles generally accepted in the United States of America. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of Casa Pacifica Centers for Children and Families.

Report on Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Department of Social Services Forms, Transitional Housing Program Plus Foster Care (THP+FC-1A) Program Costs Report, Transitional Housing Program – Foster Care (THP+FC-1B) Program & Other Revenue, Total Program Cost Display (FCR 12FFA), Group Home Program Cost Report (SR3) - CTF Residential, and Group Home Program Payroll & Fringe Benefit Report (SR4) - CTF Residential are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of Casa Pacifica's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The Department of Social Services Forms Transitional Housing Program Plus Foster Care (THP+FC-1A) Program Costs Report, Transitional Housing Program – Foster Care (THP+FC-1B) Program & Other Revenue, Total Program Cost Display (FCR 12FFA), Group Home Program Cost Report (SR3) - CTF Residential, and Group Home Program Payroll & Fringe Benefit Report (SR4) - CTF Residential has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Department of Social Services Forms Transitional Housing Program Plus Foster Care (THP+FC-1A) Program Costs Report, Transitional Housing Program – Foster Care (THP+FC-1B) Program & Other Revenue, Total Program Cost Display (FCR 12FFA), Group Home Program Cost Report (SR3) - CTF Residential, and Group Home Program Payroll & Fringe Benefit Report (SR4) - CTF Residential are fairly stated in all material respects in relation to the financial statements taken as a whole.

INDEPENDENT AUDITORS' REPORT (Continued)

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2023, on our consideration of Casa Pacifica Centers for Children and Families' 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 to solely 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 Pacifica Centers for Children and Families' 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 Pacifica Centers for Children and Families' internal control over financial reporting and compliance.

Vorlein, Hahn + Co.

Calabasas, California
January 9, 2023

CASA PACIFICA CENTERS FOR CHILDREN AND FAMILIES
(A California Non-Profit Corporation)
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

	2022	2021
ASSETS		
Cash and cash equivalents	\$ 2,987,984	\$ 3,221,869
Contracts receivables, net	2,601,125	2,413,941
Promises to give	82,500	25,000
Investments	1,137,478	1,361,054
Deposits and prepaid expenses	762,664	608,908
Beneficial interest in perpetual trust	59,453	296,043
Beneficial interest in funds held by others	136,913	148,408
Property and equipment, net	<u>14,866,130</u>	<u>15,550,043</u>
Total assets	<u>\$ 22,634,247</u>	<u>\$ 23,625,266</u>
LIABILITIES		
Accounts payable	\$ 891,670	\$ 894,013
Other accrued liabilities	1,380,478	1,569,097
Accrued payroll and related liabilities	1,401,452	2,078,922
Deferred revenue	<u>346,980</u>	<u>318,164</u>
Total liabilities	4,020,580	4,860,196
COMMITMENTS AND CONTINGENCIES		
NET ASSETS		
Without donor restrictions	17,908,152	18,262,202
With donor restrictions	<u>705,515</u>	<u>502,868</u>
Total net assets	<u>18,613,667</u>	<u>18,765,070</u>
Total liabilities and net assets	<u>\$ 22,634,247</u>	<u>\$ 23,625,266</u>

See accompanying auditors' reports and notes to financial statements

CASA PACIFICA CENTERS FOR CHILDREN AND FAMILIES
(A California Non-Profit Corporation)
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUE, SUPPORT, AND RESTRICTIONS RELEASED				
Program service revenue:				
Government grants and contracts	\$ 13,568,604	\$ -	\$ 13,568,604	\$ 17,695,614
Patient care services contracts	5,326,130	-	5,326,130	5,562,633
Special education contracts	3,941,050	-	3,941,050	2,566,805
Public Support:				
Contributions and grants	1,388,810	845,157	2,233,967	2,071,153
In-kind contributions	1,506,104	-	1,506,104	297,670
Special event revenue	2,044,770	-	2,044,770	28,325
Other:				
Interest and dividend income	8,893	-	8,893	19,504
Net realized and unrealized gain (loss) on investments	(239,618)	-	(239,618)	227,493
Change in value of beneficial interest in perpetual trust	38,410	-	38,410	37,386
Gain (loss) on sale of property and equipment	138,765	-	138,765	450
Forgiveness of Paycheck Protection Program loan	-	-	-	4,029,816
Forgiveness of note payable	-	-	-	750,000
Other income	988,527	-	988,527	36,259
Restrictions released	642,510	(642,510)	-	-
Total revenue, support and restrictions released	29,352,955	202,647	29,555,602	33,323,108
EXPENSES				
Program services	23,377,996	-	23,377,996	24,009,341
Management and general	3,461,441	-	3,461,441	5,465,219
Fundraising	3,001,793	-	3,001,793	940,494
Total expenses	29,841,230	-	29,841,230	30,415,054
CHANGE IN NET ASSETS	(488,275)	202,647	(285,628)	2,908,054
NET ASSETS - beginning of year	18,262,202	502,868	18,765,070	15,857,016
Restatement adjustment (note 16)	134,225	-	134,225	-
Net assets, beginning of year as restated	18,396,427	502,868	18,899,295	15,857,016
NET ASSETS - end of year	<u>\$ 17,908,152</u>	<u>\$ 705,515</u>	<u>\$ 18,613,667</u>	<u>\$ 18,765,070</u>

See accompanying auditors' reports and notes to financial statements

CASA PACIFICA CENTERS FOR CHILDREN AND FAMILIES
(A California Non-Profit Corporation)
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

	Program Services	Management and General	Fundraising	Total	2021 Total Expenses
Salaries and related expenses					
Salaries	\$ 14,148,397	\$ 2,108,743	\$ 684,884	\$ 16,942,024	\$ 18,802,739
Payroll taxes	1,036,200	135,255	49,873	1,221,328	1,362,338
Employee benefits	<u>2,290,279</u>	<u>306,106</u>	<u>51,487</u>	<u>2,647,872</u>	<u>3,112,167</u>
	17,474,876	2,550,104	786,244	20,811,224	23,277,244
Other expenses					
Advertising and recruiting	166,232	83,320	98,596	348,148	246,655
Auto expense	490,006	12,739	8,854	511,599	391,144
Bad debt	200,319	-	-	200,319	141,617
Board expenses	-	2,699	2,406	5,105	2,700
Child related costs	353,647	98	31,844	385,589	488,726
Computer and technology	461,362	66,300	36,211	563,873	539,003
Conferences and meetings	24,320	23,670	1,591	49,581	25,876
Depreciation	485,704	191,772	14,572	692,048	672,254
Dues and subscriptions	4,220	34,890	2,738	41,848	48,197
Education and training	13,464	1,350	2,000	16,814	23,376
Equipment maintenance and rental	76,797	35,328	2,635	114,760	159,600
Food costs	678,210	24	29,262	707,496	559,199
In-kind expenses	46,795	30	1,337,693	1,384,518	124,508
Insurance	465,490	73,885	11,300	550,675	454,141
Interest and related expenses	40	57,455	12,981	70,476	139,495
Office expenses	4,562	1,066	746	6,374	60,418
Outside services	981,924	65,807	363,299	1,411,030	1,191,543
Printing	1,691	2,327	44,373	48,391	32,774
Rent	529,179	15,355	-	544,534	602,212
Repairs and maintenance	296,877	69,542	5,884	372,303	371,393
Supplies	134,825	66,067	195,047	395,939	138,507
Taxes and licenses	24,564	13,162	454	38,180	47,881
Utilities	<u>462,892</u>	<u>94,451</u>	<u>13,063</u>	<u>570,406</u>	<u>676,591</u>
Total 2022 expenses	<u>\$ 23,377,996</u>	<u>\$ 3,461,441</u>	<u>\$ 3,001,793</u>	<u>\$ 29,841,230</u>	
(2022 Percentage breakdown)	78%	12%	10%	100%	
Total 2021 expenses	<u>\$ 24,009,341</u>	<u>\$ 5,465,219</u>	<u>\$ 940,494</u>		<u>\$ 30,415,054</u>
(2021 Percentage breakdown)	79%	18%	3%		100%

See accompanying auditors' reports and notes to financial statements

CASA PACIFICA CENTERS FOR CHILDREN AND FAMILIES
(A California Non-Profit Corporation)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (285,628)	\$ 2,908,054
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	692,048	672,254
Provision for bad debt	194,689	141,617
Restatement adjustment	134,225	-
Paycheck Protection Program loan forgiveness	-	(4,029,816)
Note payable forgiveness	-	(750,000)
Net realized and unrealized (gain) loss on investments	239,618	(208,772)
Change in value of beneficial interest in funds held by others	11,495	(31,064)
Change in value of beneficial interest in perpetual trust	(38,410)	(37,386)
Donated stock	(101,179)	-
Net contributions of program supplies	-	(163,647)
(Increase) decrease in:		
Contracts receivables, net	(381,873)	751,595
Promises to give	(57,500)	(25,000)
Deposits and prepaid expenses	(153,756)	(67,868)
Increase (decrease) in:		
Accounts payable	(2,343)	238,407
Other accrued liabilities	(188,619)	-
Accrued payroll and related liabilities	(677,470)	(16,919)
Deferred revenue	28,816	100,096
Total adjustments	(300,259)	(3,426,503)
Net Cash Provided (Used) by Operating Activities	(585,887)	(518,449)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(49,180)	(207,010)
Proceeds from sale of investments	134,317	206,467
Payments related to the acquisition of property and equipment	(8,135)	(131,607)
Distributions from beneficial interest in perpetual trust	275,000	-
Net Cash Provided (Used) by Investing Activities	352,002	(132,150)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment on line of credit	-	(802,362)
Net Cash Provided (Used) by Financing Activities	-	(802,362)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(233,885)	(1,452,961)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	3,221,869	4,674,830
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 2,987,984	\$ 3,221,869
Supplemental disclosures:		
Interest paid	\$ -	\$ 28,943
Non-cash supplemental disclosure:		
In-kind revenue	\$ 1,506,104	\$ 312,986

See accompanying auditors' reports and notes to financial statements

CASA PACIFICA CENTERS FOR CHILDREN AND FAMILIES
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

1. ORGANIZATION

Casa Pacifica Centers for Children and Families (Casa Pacifica) was conceived as a state-of-the-art residential trauma care and treatment center designed to provide comprehensive assessment, treatment, medical, assessment, and education services in the context of 24-hour care to meet the needs of Ventura County's most vulnerable children – children entering the Child Welfare system and foster youth already in services. The public/private collaboration resulted in Casa Pacifica's Camarillo campus which opened in 1994. Casa Pacifica is now the largest nonprofit provider of children's mental health services in Ventura and Santa Barbara Counties.

Four original campus-based programs have now grown to 14 therapeutic, cutting-edge services and programs. In 2000, Casa Pacifica extended its services off-campus and into the Ventura County community through an intensive, behavioral service intended to be an ancillary, last effort intervention for children at-risk of being removed from their homes. In 2003, at the request of Santa Barbara County, Casa Pacifica began providing this same Therapeutic Behavioral Service (TBS) to that community as well. Transitional Youth Services were added in 2007 to help prepare transitional and emancipated foster youth for life after foster care through services including housing, education, employment, basic living skills, etc.; and in 2016, the agency launched its Camino a Casa program serving youth at-risk of, or returning home from, a psychiatric hospitalization – providing brief residential treatment for youth from the private sector through contracts with commercial insurance companies such as Kaiser, as well as intensive outpatient and day services.

Over the last 28 years, Casa Pacifica's programs and services have continued to grow to respond to the increasing needs of the community. In keeping with a "once in a generation" foster care reform effort effective January 2017, Casa Pacifica obtained a new state license called Short-Term Residential Therapeutic Program (STRTP) to continue to provide more intensive residential services to foster care youth with complex trauma and significant behavioral and emotional challenges. The STRTP program offered 42 beds upon opening and accepted youth from throughout California. Recently, California limited the maximum number of beds an STRTP facility could offer to 16 beds. As, such, Casa Pacifica is currently repurposing/remodeling its residential cottages into 27 bedroom-suites for its Transitional Youth Services transitional housing program, more than doubling capacity of this program that supports emancipated foster youth as they navigate their newfound independence. The previous transitional housing facilities on campus will now house the STRTP program and offer 10 beds.

Casa Pacifica's mission statement reads: A life Worth Living – Casa Pacifica inspires hope and nurtures mental health and wellbeing of children, young adults, and families to realize their full potential. Regardless of the program - campus or community - or funding source - public or private - Casa Pacifica continues to work with vulnerable youth and their families to prevent unnecessary hospitalizations and out-of-home placements and overcome the barriers to staying together as a family.

Today, with a staff of over 300 individuals and services provided to thousands of children and youth annually, Casa Pacifica is among the 10 largest nonprofits on California's Central Coast providing residential services, intensive mental health services, and a special education nonpublic school on campus, as well as a wide range of community-based services all directed at helping children and youth have the best chance to reach their full potential and enjoy a successful life. In addition, Casa Pacifica provides highly regarded professional training to staff to ensure youth are receiving consistency throughout our services and the latest evidence-based, best care available.

CASA PACIFICA CENTERS FOR CHILDREN AND FAMILIES
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

1. ORGANIZATION - Continued

Casa Pacifica is licensed and certified by California's Departments of Social Services, Education, and Health Care Services and its programs and services are accredited by the National Council on Accreditation (COA); the nonpublic special education school carries certification of the Western Association of Schools and Colleges (WASC) and is accredited by the National Council of Accreditation for Special Education Services (NCASES); and the pre-doctoral internship and postdoctoral fellowship programs are accredited by the American Psychological Association. Casa Pacifica's leadership is active in national, state, interagency and community organizations, collaboratives, task forces and work groups.

Casa Pacifica receives funding from county and state agencies with portions of its funding originating from the Federal government as well as from commercial insurance companies and private payers. Casa Pacifica's pastoral 25-acre campus - five miles from the Pacific Ocean - sits on land leased from Ventura County and upon which operating facilities have been constructed including new buildings funded through a successful \$16.6 million capital campaign completed in 2018. The lease extends until 2053. Casa Pacifica also receives significant charitable support from the private sector.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Casa Pacifica prepares its financial statements in accordance with generally accepted accounting principles (GAAP) promulgated in the United States of America. The significant accounting and reporting policies used by Casa Pacifica are described below to enhance the usefulness and understandability of the financial statements.

Accrual Basis

The accompanying financial statements have been prepared on the accrual basis of accounting.

Net Assets

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

- *Net assets without donor restrictions.* Net assets without donor restrictions are resources available to support operations. The only limits on the use of net assets without donor restrictions are the broad limits resulting for the nature of Casa Pacifica, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

CASA PACIFICA CENTERS FOR CHILDREN AND FAMILIES
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Net Assets – Continued

- *Net assets with donor restrictions.* Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period or are limited by donor-imposed restrictions that neither expire by being used in accordance with a donor's restriction nor by the passage of time. Casa Pacifica's unspent contributions are classified in this class if the donor limited their use, as are the unspent appreciation of its donor-restricted endowment funds. When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as donor restricted until the specified asset is placed in service by Casa Pacifica, unless the donor provides more specific directions about the period of its use.

All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless the use of the related resources is subject to donor restrictions. All expenses and net losses other than losses on endowment investments are reported as decreases in net assets without donor restrictions.

Cash and Cash Equivalents

Cash and cash equivalents are defined as cash in demand deposit accounts as well as cash on hand.

Contracts Receivables, Net

Contracts receivables are recorded when billed or accrued and represent claims against third parties that will be settled in cash. The carrying value of receivables, net of the allowance for doubtful accounts, represents their estimated net realizable value. The allowance for doubtful accounts is estimated based on historical collection trends, type of customer, the age of outstanding receivables and existing economic conditions. If events or changes in circumstances indicate that specific receivable balances may be impaired, further consideration is given to the collectability of those balances and the allowance is adjusted accordingly. Past due receivable balances are written off when internal collection efforts have been unsuccessful in collecting the amount due. At June 30, 2022, Casa Pacifica has established an allowance for doubtful accounts in the amount of \$132,528.

Promises to Give

Casa Pacifica recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest are received. Casa Pacifica reports unconditional contributions as restricted support if they are received with donor stipulations that limit the use of the donated assets. Promises to give are discounted to their present value when payments are expected in future periods exceeding one year. These discounts are recorded as reductions to contribution revenue and promises to give, and are adjusted annually. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. Intentions to give are not included as support until payments are made or enforceable promises to give are executed.

CASA PACIFICA CENTERS FOR CHILDREN AND FAMILIES
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Investments

Investments in equity and debt securities with readily determinable values are reported at fair value. The fair value of investments is based on the closing price on the last business day of the year. Securities are generally held in custodial investment accounts administered by financial institutions.

Investment purchases and sales are accounted for on a trade-date basis. Interest income is recorded as earned on an accrual basis, and dividend income is recorded based upon the ex-dividend date. Realized gains and losses are calculated based upon the underlying cost of the securities traded. Unrealized gains and losses are included in investment return in the statement of activities and represent the difference between the cost and fair value of investments held at the end of the fiscal year.

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Because of the level of risk associated with certain long-term investments, it is reasonably possible that changes in the values of these investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

Deposits and Prepaid Expenses

Prepaid insurance and other costs are expensed ratably over their respective terms of agreement.

Beneficial Interest in Assets Held by Others

Casa Pacifica has the unconditional right to receive all of the cash flows from its beneficial interest in certain assets held by the Ventura County Community Foundation. Casa Pacifica records its beneficial interest at fair value using the fair value of the underlying funds. The change in the value of the beneficial interest is included in investment return in the statement of activities.

Beneficial Interest in Perpetual Trust

Casa Pacifica is a beneficiary of a perpetual trust, which is administered by a third party other than Casa Pacifica. Under the terms of the trust, Casa Pacifica has the irrevocable right to receive 50% of the income earned on the trust assets for the life of the trust. Casa Pacifica does not control the assets held by the outside trust. Annual distributions from the trust are reported as investment income. Adjustments to the beneficial interest to reflect changes in the fair value are reflected in the statement of activities as a change in value of beneficial interest in perpetual trust.

CASA PACIFICA CENTERS FOR CHILDREN AND FAMILIES
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Property and Equipment, Net

Property and equipment are reported at cost, if purchased, or at fair value at the date of donation, if donated. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets. Maintenance and repair costs are charged to expense as incurred. Property and equipment are capitalized if the cost of an asset is greater than or equal to \$5,000 and the useful life is greater than one year. The estimated useful lives are as follows:

Buildings and improvements	40 years
Equipment and furnishings	3 to 7 years
Leasehold improvements	20 Years, or remaining lease term, if shorter
Vehicles	5 years

Long-Lived Assets

Casa Pacifica reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the book value of the assets may not be recoverable. An impairment loss is recognized when the sum of the undiscounted future cash flows is less than the carrying amount of the asset, in which case a write-down is recorded to reduce the related asset to its estimated fair value. No impairment losses were recognized on long-lived assets during the year ended June 30, 2022.

Vacation Policy

Vacation benefits are accrued on a bi-weekly basis. Full-time employees accrue vacation time based upon years of service to Casa Pacifica as follows:

<u>Months of Completed Service</u>	<u>Maximum Accrual</u>
Months 0 - 24	16 Days per year
Months 25 - 59	18.5 Days per year
Months 60 - 119	21 Days per year
120 Months or more	26 Days per year

Eligible regular full-time and part-time employees who have work schedules wherein they work less than 40 hours per week accrue PTO benefits on a pro rata basis. Unused vacation leave will be paid at the time of termination.

Total accrued vacation at June 30, 2022, was \$970,564.

CASA PACIFICA CENTERS FOR CHILDREN AND FAMILIES
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Revenue Recognition

Revenues from government agencies, service fees, and other third-party payors for services provided under such contracts are recognized when earned by Casa Pacifica. All gifts, bequests, and other public support are included in net assets without donor restrictions unless specifically restricted by the donor or the terms of the gift or grant instrument. Revenue received where the restriction is met in the same fiscal year is reported under net assets without donor restrictions. Amounts received in excess of balances earned are recognized as liabilities.

Accounting for Contributions

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions consistent with the nature of the restriction. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as net assets with donor restrictions until the payment is due unless the contribution is clearly intended to support activities of the current fiscal year or is received with donor restrictions. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

In-Kind Donations of Goods and Services

Contributions of goods received that are measurable are recorded as revenue at their estimated fair value when received. Contributions of services are recognized if the services received meet any of these criteria: (1) if they create or enhance nonfinancial assets and (2) if they require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Donated services and supplies of \$1,506,104 were received during the year ended June 30, 2022, which satisfied the criteria for recognition.

Casa Pacifica benefits from personal services provided by a substantial number of volunteers. Those volunteers have donated significant amounts of time and services in Casa Pacifica's program operations. Some of the services that these individuals rendered, however, do not meet the above criteria and, as such, are not recognized as revenue.

CASA PACIFICA CENTERS FOR CHILDREN AND FAMILIES
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Government Revenue

Government revenue is recognized when the qualifying costs are incurred for cost-reimbursement grants or contracts or when a unit of service is provided for performance grants. Government revenue from federal agencies is subject to independent audit required by the Uniform Guidance and review by grantor agencies. The review could result in the disallowance of expenditures under the terms of the grant or reductions of future grant funds. Based on prior experience, Casa Pacifica's management believes that costs ultimately disallowed, if any, would not materially affect the financial position of Casa Pacifica.

Allocated Expenses

The cost of providing Casa Pacifica's programs and other activities is summarized on a functional basis in the statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit, including but not limited to proportionate salary dollars, program census and square footage.

General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of Casa Pacifica. Fundraising costs are expensed as incurred, even though they may result in contributions received in future years.

Income Taxes

Casa Pacifica is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and California income taxes under section 23701(d) of the California Revenue and Taxation Code. The IRS classified the organization as one that is not a private foundation within the meaning of section 509(a) of the Code because it is an organization described in section(s) 509(a)(1) and 170(b)(1)(A)(vi).

Casa Pacifica has adopted Financial Accounting Standards Board Accounting Standards Codification (ASC) Section 740-10, which clarifies the accounting for uncertainty in income taxes. ASC Section 740-10 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC Section 740-10 requires that an organization recognize in the financial statements the impact of the tax position if that position will more likely than not be sustained on audit, based on the technical merits of the position. As of and for the year ended June 30, 2022, Casa Pacifica had no material unrecognized tax benefits, tax penalties or interest.

Casa Pacifica's Forms 990, *Return of Organization Exempt from Income Tax*, for each of the tax years ended June 30; 2021, 2020, and 2019, are subject to examination by the IRS, generally for 3 years after they were filed.

Casa Pacifica's Forms 199, *California Exempt Organization Return*, for each of the tax years ended June 30, 2021, 2020, 2019, and 2018, are subject to examination by the Franchise Tax Board, generally for 4 years after they were filed.

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FOR THE YEAR ENDED JUNE 30, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Comparative Totals

The financial statements include certain prior-year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Casa Pacifica's financial statements for the year ended June 30, 2021, from which the summarized information was derived.

Reclassifications

Certain amounts in the 2021 comparative totals have been reclassified to conform with the 2022 reporting format.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, Casa Pacifica's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. Casa Pacifica's management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

Adopted Accounting Pronouncement

In September 2020, the FASB amended guidance regarding the way nonprofit organizations report nonfinancial assets, including donated goods and rent, in-kind professional services, etc. The amendment requires contributed nonfinancial assets to be presented separately from cash and other financial assets on the statement of activities, and the footnote disclosure must include a dis-aggregation by type, donor restrictions, if applicable, and other details about the nature and valuation of the nonfinancial assets received. The new standard is effective for fiscal years beginning after June 15, 2021, and could have an impact on Casa Pacifica's reporting of contributed nonfinancial assets. During the year ended June 30, 2022 Casa Pacifica adopted Accounting Standards Update, ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fair Value Measurements

Casa Pacifica reports its fair value measures using a three-level hierarchy that prioritizes the inputs used to measure fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal or most advantageous market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value 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 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 based on the best information available. This hierarchy, established by GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs used to measure fair value are as follows:

- *Level 1* - Quoted prices for identical assets or liabilities in active markets to which Casa Pacifica has access at the measurement date.
- *Level 2* - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:
 - quoted prices for similar assets or liabilities in active markets;
 - quoted prices for identical or similar assets in markets that are not active;
 - observable inputs other than quoted prices for the asset or liability (for example, interest rates and yield curves); and
 - inputs derived principally from, or corroborated by, observable market data by correlation or by other means.
- *Level 3* - Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value to the extent that observable inputs are not available.

The carrying amounts of cash and cash equivalents and accounts receivable approximate fair value because of the terms and relatively short maturity of these financial instruments. The mutual funds and exchange traded funds are valued at quoted market prices, which represent the net asset value of shares held by Casa Pacifica at year end.

The carrying amounts of liabilities, approximate fair value because of the relatively short maturity of these financial instruments. When available, Casa Pacifica measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value.

CASA PACIFICA CENTERS FOR CHILDREN AND FAMILIES
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022
(CONTINUED)

3. INVESTMENTS

Casa Pacifica measures fair value in accordance with FASB ASC 820-10. FASB ASC 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels; Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs, other than the quoted prices in active markets, are observable either directly or indirectly, and Level 3 unobservable inputs in which there is little or no market data, which requires Casa Pacifica to develop its own assumptions. Casa Pacifica uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, Casa Pacifica measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available. All assets reported at fair value at June 30, 2022, are Level 1 inputs.

Investments consist of the following at June 30, 2022:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Mutual funds and Exchange traded funds (ETFs)	<u>\$ 1,137,478</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,137,478</u>
Total investments	<u>\$ 1,137,478</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,137,478</u>

At June 30, 2022, Casa Pacifica did not have any investments measured using Level 2 or Level 3 inputs.

The composition of the investment return reported in the statement of activities at June 30, 2022 is as follows:

	Amount
Investment and dividend income	<u>\$ 8,893</u>
Net realized and unrealized gain (loss) on investments	<u>(228,123)</u>
Total investment return	<u>\$ (219,230)</u>

CASA PACIFICA CENTERS FOR CHILDREN AND FAMILIES
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022
(CONTINUED)

4. BENEFICIAL INTEREST IN FUNDS HELD BY OTHERS

Ventura County Community Foundation

Casa Pacifica entered into an agreement with Ventura County Community Foundation, whereby Casa Pacifica established a board-designated endowment fund to be held by the Foundation. The funds held can be used for various purposes as determined by the Board and the annual distributions are limited to 5% of the average balance of funds held over the prior twelve quarters calculated on an annual basis.

At June 30, 2022, Casa Pacifica had a beneficial interest in the Fund and is stated at fair value as a Level 3 classification. Investments are made up of pooled expendable funds held by the Foundation, stocks, mutual funds, treasury funds and certificates of deposits and are reported at their fair values in the statement of financial position. The Fund's fair market value at June 30, 2022 was \$136,913.

Beneficial Interest in Perpetual Trust

Casa Pacifica is the 50% beneficiary of a perpetual trust whose assets are held by a third party trustee. Casa Pacifica has legally enforceable rights or claims to 50% of the annual income. The carrying value of Casa Pacifica's share of this perpetual trust at June 30, 2022 was \$59,453.

The composition is as follows using Level 3 inputs:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)		
	Beneficial Interest in Assets Held by Others	Beneficial Interest in Perpetual Trust	Total
Beginning value	\$ 148,408	\$ 296,043	\$ 444,451
Contributions	-	-	-
Distributions	-	275,000	275,000
Dividends and interest reinvested	-	-	-
Realized and unrealized gain (loss)	(11,495)	38,410	26,915
Less investments fees	-	-	-
Total	\$ 136,913	\$ 59,453	\$ 196,366

CASA PACIFICA CENTERS FOR CHILDREN AND FAMILIES
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NOTES TO FINANCIAL STATEMENTS
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(CONTINUED)

5. PROPERTY AND EQUIPMENT, NET

Property and equipment at June 30, 2022 consists of the following:

	<u>Amount</u>
Buildings and improvements	\$ 23,612,895
Equipment and furnishings	3,867,946
Leasehold improvements	80,981
Vehicles	<u>352,563</u>
	27,914,385
Less accumulated depreciation	<u>(13,048,255)</u>
Total property and equipment, net	<u>\$ 14,866,130</u>

Total depreciation expense for the year ended June 30, 2022 was \$692,048.

6. OTHER ACCRUED LIABILITIES

Other accrued liabilities consisted of the following at June 30, 2022:

	<u>Amount</u>
DMH settlement reserves	\$ 711,188
Deferred compensation plan liability	
[See note 9]	524,914
Deferred rent liability	<u>144,376</u>
Total other accrued liabilities	<u>\$ 1,380,478</u>

7. LINE OF CREDIT

Casa Pacifica has a renewable revolving line of credit agreement with a financial institution in the amount of \$2,200,000 with a maturity date of November 5, 2024. The line of credit bears a variable interest rate at the U.S. prime rate less 0.5%, and the U.S. prime rate was 3.25% at June 30, 2022. There was no balance outstanding on the line of credit at June 30, 2022. The line is secured by the funds held by Casa Pacifica in its deposit and savings accounts at the financial institution. The line of credit agreement contains certain covenants, with which Casa Pacifica was in compliance at June 30, 2022.

CASA PACIFICA CENTERS FOR CHILDREN AND FAMILIES
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022
(CONTINUED)

8. IN-KIND CONTRIBUTIONS

Valuation Techniques & Inputs

Contributions of goods received that are measurable are recorded as revenue at their estimated fair value when received. Contributions of services are recognized if the services received meet any of these criteria: (1) if they create or enhance nonfinancial assets and (2) if they require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased by Casa Pacifica if not provided by donation. Natural classifications of in-kind expenses for the year ended June 30, 2022 are as follows:

	<u>Amount</u>
Donated services	\$ 629,262
Supplies	<u>876,842</u>
	<u>\$ 1,506,104</u>

In-Kind Services

Contributed services recognized comprise of professional services. Such services are valued and reported at the estimated fair value in the financial statements based on current rates for similar services.

Donor Restrictions

There were no donor restrictions on any in-kind contributions received during the year ended June 30, 2022.

Monetization of In-Kind Contributions

Casa Pacifica does not monetize in-kind contributions and only distributes goods or uses the services for program use.

9. EMPLOYEE BENEFIT PLAN

Defined Contribution Plan

Casa Pacifica has a defined contribution plan covering all eligible employees who have completed three months of service and are age twenty-one or older. Casa Pacifica makes matching contributions equal to 100% up to 5% of the employee's deferred compensation. Casa Pacifica made contributions to the retirement plan of \$410,922 during the year ended June 30, 2022.

Deferred Compensation Plan

Casa Pacifica's Board of Directors entered into an agreement to sponsor an Internal Revenue Code Section 457(b) deferred compensation plan that covers a select group of management employees. The deferred compensation plan liability included in other accrued liabilities on the statement of financial position totaled \$524,914 at June 30, 2022, with the related assets included in investments.

CASA PACIFICA CENTERS FOR CHILDREN AND FAMILIES
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NOTES TO FINANCIAL STATEMENTS
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(CONTINUED)

10. LEASE COMMITMENTS

Casa Pacifica leases facilities, vehicles, and equipment under operating leases with various terms. Future minimum payments, by year and in the aggregate, under these leases with initial or remaining terms of one year or more consist of the following:

<u>Year Ending June 30;</u>	<u>Amount</u>
2023	\$ 491,559
2024	545,950
2025	389,336
2026	329,386
2027	83,688
Thereafter	<u>3,900</u>
Total	<u>\$ 1,843,819</u>

Rent for facilities, equipment, and vehicles rental expense under operating leases for the year ended June 30, 2022, was \$436,719, \$41,196, and \$4,782, respectively.

11. SPECIAL EVENTS

Casa Pacifica conducts various special fundraising events during the year. The revenue and expenses from these activities for the year ended June 30, 2022, were as follows:

<u>Event</u>	<u>Revenue</u>	<u>Contributions</u>	<u>Expenses</u>	<u>Total</u>
Golf Tournament 7/21	\$ 69,628	\$ -	\$ (17,985)	\$ 51,643
Spotlight on Style Fashion Show 11/21	223,709	-	(73,005)	150,704
Wine, Food & Brew Festival 9/21	733,206	428,613	(687,485)	474,334
Wine, Food & Brew Festival 6/22	634,378	604,537	(877,074)	361,841
Yummie Dinner 9/21	177,909	92,100	(118,060)	151,949
Yummie Dinner 5/22	<u>205,940</u>	<u>44,710</u>	<u>(72,847)</u>	<u>177,803</u>
Total special events, net	<u>\$2,044,770</u>	<u>\$ 1,169,960</u>	<u>\$(1,846,456)</u>	<u>\$1,368,274</u>

CASA PACIFICA CENTERS FOR CHILDREN AND FAMILIES
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NOTES TO FINANCIAL STATEMENTS
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(CONTINUED)

12. NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions consist of undesignated and Board designated amounts as follows at June 30, 2022:

	<u>Amount</u>
Undesignated	\$ 17,206,407
Board designated:	
Reserve fund	564,832
Endowment fund	<u>136,913</u>
Total net assets without donor restrictions	<u>\$ 17,908,152</u>

The Board designated endowment fund of \$136,913 is held with the Ventura County Community Foundation (refer to Note 2 and Note 3). The Board has also established a reserve fund to be used for capital and other projects.

13. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are part of the net assets of Casa Pacifica resulting from contributions and other inflows of assets whose use by Casa Pacifica is limited by donor imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of Casa Pacifica pursuant to those stipulations.

<u>Purpose</u>	<u>Balance at 6/30/21</u>	<u>Income</u>	<u>Expenditures</u>	<u>Balance at 6/30/22</u>
Beneficial interest in perpetual trust	\$ 296,043	\$ 46,740	\$ (283,330)	\$ 59,453
Education assistance	90,413	2,000	(14,542)	77,871
Other programs	<u>116,412</u>	<u>796,417</u>	<u>(344,638)</u>	<u>568,191</u>
Total	<u>\$ 502,868</u>	<u>\$ 845,157</u>	<u>\$ (642,510)</u>	<u>\$ 705,515</u>

CASA PACIFICA CENTERS FOR CHILDREN AND FAMILIES
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(CONTINUED)

14. ACCOUNTING FOR ENDOWMENTS

Interpretation of Relevant Law

The Board of Directors of Casa Pacifica has interpreted State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted permanent endowment funds unless there are explicit donor stipulations to the contrary. As a result of this interpretation, Casa Pacifica classifies as net assets with donor restrictions (a) the original value of gifts donated to all donor-restricted permanent endowments, (b) the original value of any subsequent gifts to donor-restricted permanent endowments, and (c) the original value of accumulations to donor restricted permanent endowments made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of a donor-restricted permanent endowment fund is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by Casa Pacifica in a manner consistent with the standard of prudence prescribed by SPMIFA.

In accordance with SPMIFA, Casa Pacifica considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the endowment fund
- The purposes of Casa Pacifica and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of Casa Pacifica
- The investment policy of Casa Pacifica

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

	<u>Board Designated</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, July 1, 2021	\$ 148,408	\$ 296,043	\$ 444,451
Investment return:			
Investment income	-	-	-
Net gains (realized and unrealized)	<u>(11,495)</u>	<u>38,410</u>	<u>26,915</u>
Total investment return	(11,495)	38,410	26,915
Distributions	<u>-</u>	<u>(275,000)</u>	<u>(275,000)</u>
Endowment net assets, June 30, 2022	<u>\$ 136,913</u>	<u>\$ 59,453</u>	<u>\$ 196,366</u>

The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by SPMIFA is \$76,031 at June 30, 2022. From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or SPMIFA requires Casa Pacifica to retain as a fund of perpetual duration. Deficiencies of this nature are reported in net assets without donor restrictions, when applicable. There were no such deficiencies as of June 30, 2022.

CASA PACIFICA CENTERS FOR CHILDREN AND FAMILIES
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(CONTINUED)

15. COMMITMENTS AND CONTINGENCIES

Governmental Funding

Casa Pacifica's grants and contracts are subject to inspection and audit by the appropriate governmental funding agencies. The purpose is to determine whether program funds were used in accordance with their respective guidelines and regulations. The potential exists for disallowance of previously funded program costs. The ultimate liability, if any, which may result from these governmental audits cannot be reasonably estimated. However, due to the complexity and timing of the DMH contract settlement process, Casa Pacifica has set aside a reserve of \$711,188 for its DMH contracts [see Note 2 and Note 5]. The reserve is related to DMH contract years which have not yet been settled by the State of California and its counties. Upon settlement by the State of California and the counties, Casa Pacifica records known prior-year settlements (disallowances, additional funding, contract adjustments, and related year reserves write-offs) as contract settlement adjustments.

COVID-19

On March 11, 2020 the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The ultimate financial impact and duration of these events cannot be reasonably estimated at this time.

Legal

In the ordinary course of conducting its business, Casa Pacifica becomes involved in various lawsuits. Some of these proceedings may result in judgments being assessed against Casa Pacifica which, from time to time, may have an impact on changes in net assets. Casa Pacifica believes that these proceedings, individually or in the aggregate, would not have a material effect on the accompanying financial statements.

16. RESTATEMENT ADJUSTMENT

During the year ended June 30, 2022, Casa Pacifica made an adjustment for legal expenses. The effect of this adjustment was to increase net assets without donor restrictions by \$134,225 as of June 30, 2021 and increase legal expenses as of June 30, 2022.

CASA PACIFICA CENTERS FOR CHILDREN AND FAMILIES
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17. LIQUIDITY AND FUNDS AVAILABLE

The total financial assets held by Casa Pacifica at June 30, 2022 and the amount of those financial assets that could be made available for general expenditure within one year of the date of the statement of financial position are summarized in the following table:

	June 30, 2022
Financial assets:	
Cash and cash equivalents	\$ 2,987,984
Contracts receivables, net	2,601,125
Promises to give	82,500
Investments	1,137,478
Total financial assets	6,809,087
Less restrictions:	
Contractual or donor-imposed restrictions:	
Restricted by donors with time or purpose restrictions	(705,515)
Endowment fund, for long term-investing	(136,913)
Net financial assets after donor-imposed restrictions	5,966,659
Financial assets available to meet cash needs for general expenditures within one year	\$ 5,966,659

Casa Pacifica regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. As part of Casa Pacifica's liquidity management, it has the policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Casa Pacifica has various sources of liquidity at its disposal, including cash and cash equivalents and marketable debt and equity securities. Casa Pacifica also has access to a \$2,200,000 line of credit facility with the full amount available for borrowing at June 30, 2022. In addition, at June 30, 2022, Casa Pacifica has a Board designated endowment fund of \$136,913 and a Board designated reserve fund of \$564,832 that could be drawn upon with Board approval.

18. SUBSEQUENT EVENTS

Casa Pacifica has evaluated events subsequent to June 30, 2022, to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through January 9, 2023, the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required. Based upon this evaluation, it was determined that the following subsequent events occurred that require recognition or additional disclosure in the financial statements.