

**CASA OF LOS ANGELES**  
(A NONPROFIT ORGANIZATION)  
FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITOR'S REPORT  
JUNE 30, 2021 AND 2020



**CASA OF LOS ANGELES**  
(A NONPROFIT ORGANIZATION)  
TABLE OF CONTENTS  
JUNE 30, 2021 AND 2020

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	<u>Page No.</u>
Independent Auditor's Report	1 – 2
Financial Statements	
Statements of Financial Position	3
Statements of Activities and Change in Net Assets	4 - 5
Statements of Functional Expenses	6 - 7
Statements of Cash Flows	8
Notes to Financial Statements	9 – 20



## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
CASA of Los Angeles:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of CASA of Los Angeles, which comprise the statement of financial position as of June 30, 2021, and the related statements of activities and change in net assets, 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.

### ***Auditor's 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. 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 entity'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 of Los Angeles as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



### Prior Period Financial Statements

The financial statements of CASA of Los Angeles as of June 30, 2020, were audited by other auditors whose report dated October 29, 2020, expressed an unqualified opinion on those statements.

*Holthouse Carlin & Van Trigt LLP*

Los Angeles, California  
March 7, 2022

**CASA OF LOS ANGELES**

(A NONPROFIT ORGANIZATION)

**STATEMENTS OF FINANCIAL POSITION**

<b>AS OF JUNE 30,</b>	<b>2021</b>	<b>2020</b>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 1,799,176	\$ 2,117,891
Investments	2,067,645	1,368,890
Pledges and grants receivable, current portion	174,509	134,153
Contracts receivable	154,739	151,329
Prepaid expenses and other current assets	38,873	101,266
<b>Total current assets</b>	<b>4,234,942</b>	<b>3,873,529</b>
 Pledges and grants receivable, net of current portion	 80,000	 -
Property and equipment, net	543,125	539,689
<b>Total assets</b>	<b>\$ 4,858,067</b>	<b>\$ 4,413,218</b>
<b>Liabilities and Net Assets</b>		
Current liabilities		
Accounts payable and accrued expenses	\$ 73,907	\$ 72,571
Accrued wages and benefits	422,303	353,346
PPP loan advance, current portion	-	202,249
<b>Total current liabilities</b>	<b>496,210</b>	<b>628,166</b>
 PPP loan advance, noncurrent portion	 -	 485,396
<b>Total liabilities</b>	<b>496,210</b>	<b>1,113,562</b>
<b>Net assets</b>		
Net assets without donor restrictions	2,486,978	1,420,049
Net assets with donor restrictions		
Time and purpose	1,854,879	1,859,607
Perpetual in nature	20,000	20,000
<b>Total net assets</b>	<b>4,361,857</b>	<b>3,299,656</b>
<b>Total liabilities and net assets</b>	<b>\$ 4,858,067</b>	<b>\$ 4,413,218</b>

*See accompanying notes to financial statements.*

**CASA OF LOS ANGELES**

(A NONPROFIT ORGANIZATION)

**STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS****FOR THE YEAR ENDED JUNE 30, 2021**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Public Support and Revenue</b>			
Contributions and grants	\$ 2,867,572	\$ 935,365	\$ 3,802,937
Government contracts	680,994	-	680,994
Donated volunteer services	2,977,213	-	2,977,213
Donated rent and other	227,066	-	227,066
Gala event	626,714	-	626,714
Other special events	273,357	-	273,357
Other revenue	38,168	-	38,168
Investment loss, net	(5,454)	-	(5,454)
Income from debt forgiveness - PPP loan	687,645	-	687,645
Net assets released from restrictions	940,093	(940,093)	-
<b>Total public support and revenue</b>	<b>9,313,368</b>	<b>(4,728)</b>	<b>9,308,640</b>
<b>Expenses</b>			
Program services	6,927,682	-	6,927,682
Management and general	372,441	-	372,441
Fundraising	946,316	-	946,316
<b>Total expenses</b>	<b>8,246,439</b>	<b>-</b>	<b>8,246,439</b>
<b>Changes in net assets</b>	<b>1,066,929</b>	<b>(4,728)</b>	<b>1,062,201</b>
Net assets, beginning of year	1,420,049	1,879,607	3,299,656
<b>Net assets, end of year</b>	<b>\$ 2,486,978</b>	<b>\$ 1,874,879</b>	<b>\$ 4,361,857</b>

*See accompanying notes to financial statements.*

**CASA OF LOS ANGELES**

(A NONPROFIT ORGANIZATION)

**STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS****FOR THE YEAR ENDED JUNE 30, 2020**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Revenue</b>			
Contributions and grants	\$ 2,054,116	\$ 2,520,300	\$ 4,574,416
Government contracts	342,020	-	342,020
Donated volunteer services	3,535,074	-	3,535,074
Donated rent and other	186,313	-	186,313
Gala event	650,541	-	650,541
Other special events	309,918	-	309,918
Other revenue	30,051	-	30,051
Investment income, net	8,119	-	8,119
Net assets released from restrictions	1,294,774	(1,294,774)	-
<b>Total revenue</b>	<b>8,410,926</b>	<b>1,225,526</b>	<b>9,636,452</b>
<b>Expenses</b>			
Program services	7,414,087	-	7,414,087
Management and general	370,126	-	370,126
Fundraising	856,664	-	856,664
<b>Total expenses</b>	<b>8,640,877</b>	<b>-</b>	<b>8,640,877</b>
<b>Changes in net assets</b>	<b>(229,951)</b>	<b>1,225,526</b>	<b>995,575</b>
Net assets, beginning of year	1,650,000	654,081	2,304,081
<b>Net assets, end of year</b>	<b>\$ 1,420,049</b>	<b>\$ 1,879,607</b>	<b>\$ 3,299,656</b>

*See accompanying notes to financial statements.*

# CASA OF LOS ANGELES

(A NONPROFIT ORGANIZATION)

## STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2021

	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 2,823,185	\$ 224,073	\$ 573,686	\$ 3,620,944
Payroll taxes and benefits	420,615	33,384	85,471	539,470
<b>Total personnel costs</b>	<b>3,243,800</b>	<b>257,457</b>	<b>659,157</b>	<b>4,160,414</b>
Advertising and marketing	38,844	600	21,282	60,725
Background checks	21,086	-	-	21,086
Children support	23,377	-	-	23,377
Event expenses	-	-	105,443	105,443
In-kind goods and rent	185,239	7,189	20,673	213,101
In-kind volunteer advocates	2,977,213	-	-	2,977,213
Insurance	28,580	1,550	4,456	34,586
IT and telecommunications	207,380	11,245	32,335	250,960
Office expense	17,884	590	39,155	57,629
Printing and postage	2,460	510	29,867	32,837
Professional services	43,745	28,352	11,757	83,853
Rent - space and storage	12,591	2,316	-	14,907
Repairs and maintenance	-	-	157	157
Staff recruiting	-	52,762	-	52,762
Supplies	1,814	8	416	2,239
Temporary help	8,178	1,556	1,611	11,346
Training expense	26,932	4,569	5,688	37,189
Travel and entertainment	10	-	475	485
Volunteer recognition	25,861	338	4,071	30,270
Depreciation and amortization	62,687	3,399	9,774	75,860
<b>Total expenses</b>	<b>\$ 6,927,682</b>	<b>\$ 372,441</b>	<b>\$ 946,316</b>	<b>\$ 8,246,439</b>

See accompanying notes to financial statements.



**CASA OF LOS ANGELES**  
(A NONPROFIT ORGANIZATION)  
STATEMENTS OF FUNCTIONAL EXPENSES

**FOR THE YEAR ENDED JUNE 30, 2020**

	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
Salaries and wages	\$ 2,666,029	\$ 259,653	\$ 528,239	\$ 3,453,921
Payroll taxes and benefits	471,678	45,938	93,457	611,073
<b>Total personnel costs</b>	<b>3,137,707</b>	<b>305,591</b>	<b>621,696</b>	<b>4,064,994</b>
Advertising and marketing	53,918	-	16,067	69,985
Background checks	14,884	435	-	15,319
Children support	38,270	-	-	38,270
Event expenses	-	-	90,095	90,095
Event expenses - program	4,275	-	-	4,275
In-kind goods and rent	155,365	8,578	22,370	186,313
In-kind volunteer advocates	3,535,074	-	-	3,535,074
Insurance	26,534	1,758	4,584	32,876
IT and telecommunications	143,398	9,498	24,771	177,667
Miscellaneous	5,704	628	986	7,318
Office expense	31,645	4,155	32,465	68,265
Printing and postage	4,124	1,197	19,262	24,583
Professional services	18,091	22,596	7,018	47,705
Rent - space and storage	33,465	2,292	-	35,757
Supplies	11,183	601	1,023	12,807
Temporary help	21,195	-	-	21,195
Training expense	50,077	6,380	4,113	60,570
Travel and entertainment	11,259	2,133	587	13,979
Volunteer recognition	54,535	439	1,600	56,574
Volunteer recruiting and outreach	5,334	-	-	5,334
Depreciation and amortization	58,050	3,845	10,027	71,922
<b>Total expenses</b>	<b>\$ 7,414,087</b>	<b>\$ 370,126</b>	<b>\$ 856,664</b>	<b>\$ 8,640,877</b>

*See accompanying notes to financial statements.*

**CASA OF LOS ANGELES**  
(A NONPROFIT ORGANIZATION)  
STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30,	2021	2020
<b>Cash flows from operating activities</b>		
Changes in net assets	\$ 1,062,201	\$ 995,575
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	75,860	71,922
Net unrealized loss on investments	18,185	763
Realized loss on disposal of property and equipment	8,252	-
Income from debt forgiveness - PPP loan	(687,645)	-
Changes in operating assets and liabilities		
Pledges and grants receivable	(120,356)	255,765
Contracts receivable	(3,410)	129,120
Prepaid expenses and other current assets	62,393	(39,672)
Accounts payable and accrued expenses	1,336	(202,942)
Accrued wages and benefits	68,957	34,067
<b>Net cash provided by operating activities</b>	<b>485,773</b>	<b>1,244,598</b>
<b>Cash flows from investing activities</b>		
Acquisition of property and equipment	(87,548)	(10,091)
Purchase of investments	(2,086,535)	(1,369,653)
Proceeds from sales of investments	1,369,595	-
<b>Net cash used in investing activities</b>	<b>(804,488)</b>	<b>(1,379,744)</b>
<b>Cash flows from financing activities</b>		
Proceeds from PPP loan	-	687,645
<b>Cash provided by financing activities</b>	<b>-</b>	<b>687,645</b>
<b>Net change in cash and cash equivalents</b>	<b>(318,715)</b>	<b>552,499</b>
Cash and cash equivalents, beginning of year	2,117,891	1,565,392
<b>Cash and cash equivalents, end of year</b>	<b>\$ 1,799,176</b>	<b>\$ 2,117,891</b>

See accompanying notes to financial statements.

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization** CASA of Los Angeles (the “Organization”) recruits, trains, and supports community volunteers to advocate for children in the Los Angeles County (the “County”) child welfare system who have experienced abuse and neglect. The Organization envisions a system in which every child in foster care has an advocate and the opportunity to thrive.

The Organization was established in 1978 by the Los Angeles Superior Court to serve the largest child welfare system in the nation as one of the first in what would become a national network of over 900 local CASA organizations. Since losing court and county funding in 2010, the Organization has operated as an independent, private nonprofit organization funded by the community.

A Court Appointed Special Advocate (“CASA”) is a volunteer appointed by a dependency court judge to advocate for the best interests of a child in foster care. CASA volunteers assist judges by gathering information about the child to help them find a permanent home and to receive support with their mental health, physical health and education needs. The CASA communicates the child's best interests to the court and ensures that the County complies with court orders. In an ever-changing world of attorneys, social workers, teachers, therapists, doctors and foster parents, a CASA volunteer is often the one constant caring adult in the child's life. In 2009, a California Blue Ribbon Commission on Children in Foster Care recommended that every child in foster care be assigned a CASA.

For the year ended June 30, 2021, 1,110 CASA volunteers donated 88,581 hours of intense, one-on-one advocacy on behalf of 1,358 children in the child welfare system. For the year ended June 30, 2020, 1,092 CASA volunteers donated 110,440 hours of intense, one-on-one advocacy on behalf of 1,294 children in the child welfare system.

**Effects of the COVID-19 Outbreak** During 2020, there was a global outbreak of a new strain of coronavirus, COVID-19. The global and domestic response to the COVID-19 outbreak continues to evolve. To date, certain responses to the COVID-19 outbreak have included mandates from federal, state and/or local authorities to mitigate the spread of the virus, which have impacted global commercial activity and have contributed to significant volatility in financial markets. Although the Organization's CASA volunteers were restricted in on-site advocacy and other interactions with their assigned children as a result of these mandates, the Organization was able to serve an additional 64 children with fewer total volunteer hours during the year ended June 30, 2021. Further, certain of the Organization's administrative and support staff continue to work remotely. The Organization's management continues to gather information in response to the COVID-19 pandemic and the possible impact to the Organization's operations and will continue to assess and monitor the situation as it evolves. Although the Organization has continued to receive adequate financial support to meet the approved annual operating budget, the ultimate impact to the financial condition, results of operations and cash flows of the Organization is unknown.

**Basis of Accounting** The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

**Classes of Net Assets** Net assets of the Organization and changes therein are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes have been classified and are reported as follows:

- **Net Assets Without Donor Restrictions** Net assets not restricted by donor-imposed stipulations are available for use at the discretion of the board of directors and/or management for general operating purposes. The only limits on net assets without donor restrictions are broad limits resulting from the nature of the Organization and the purposes specified in its articles of incorporation or bylaws and, perhaps, limits resulting from contractual agreements.
- **Net Assets With Donor Restrictions** Net assets of the Organization resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources will be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both, and the net assets are reclassified as net assets without donor restrictions and reported in the statement of activities and change in net assets as net assets released from restrictions.

**Use of Estimates** The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Cash and Cash Equivalents** For purposes of the statements of cash flows, the Organization considers all highly liquid unrestricted investments with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents include donor-restricted cash of \$504,879 and \$509,607 as of June 31, 2021 and 2020, respectively, whose use by the Organization has been limited by donor to a specific time period or purpose.

**Investments** Investments held by the Organization include investments in fixed income securities and certificates of deposit with maturities exceeding 90 days. The investments are reflected in the accompanying statements of financial position, based on data points that are observable such as quoted prices, interest rates and yield curves (all Level 1 measurements).

Net unrealized gain (loss) on investments is recorded in the statement of activities and change in net assets for changes in the difference between the recorded cost of the investment and the fair value of the investment at the financial statement date. Investment sales and purchases are recorded on the trade date, which results in receivables and payables on trades that have not yet settled at the financial statement date.

Investments in general are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of investments will occur in the near term and that such change could materially affect the amounts reported in the financial statements.

**CASA OF LOS ANGELES**  
(A NONPROFIT ORGANIZATION)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020

---

Interest and dividend income are recorded when earned. Realized gains and losses are recorded on their respective trade dates. Realized gains and losses from the sale of investments are determined using the specific identification method. Investment income (loss) reflected in the accompanying statement of activities and change in net assets includes dividend and interest income, and realized and unrealized gains (loss), net of investment advisory fees.

**Fair Value Measurements** The Organization accounts for their financial instruments using fair value which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value maximize the use of observable inputs and minimize the use of unobservable inputs. The fair value measurement hierarchy is based on three levels of inputs, of which the first two are considered observable and the last unobservable.

In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets. Fair values determined by Level 2 inputs utilize data points that are observable such as quoted prices, interest rates and yield curves. Fair values determined by Level 3 inputs are unobservable data points for the asset and include situations where there is little, if any, market activity for the asset.

**Property and Equipment** Property and equipment are stated at cost, less accumulated depreciation and amortization. The Organization provides for depreciation and amortization of its property and equipment using the straight-line method over estimated useful lives of the related assets as follows:

Description	Life
Telephone and computer equipment	3-5 years
Furniture and fixtures	5-10 years
Leasehold improvements	20 years

The leasehold improvements noted above were installed by the Organization at one of the facilities under a month-to-month license with the State of California during the year ended June 30, 2015. Although the State could legally require the Organization to vacate the facility at any time, management has elected to amortize the leasehold improvements over their useful lives. This is consistent with the expectations of the parties, whereby the Organization will occupy the facility for a period longer than the estimated useful life of the leasehold improvements, and reflects their historical relationship, which included a long period in which the Organization was effectively a quasi-state entity.

The Organization capitalizes assets costing greater than \$5,000 that meet its capitalization criteria. Repairs and maintenance are expensed as incurred.

The Organization reviews its property and equipment for impairment whenever events or circumstances indicate that the carrying value of such property may not be recoverable. When evaluating recoverability, management considers future undiscounted cash flows estimated to be generated by the property, including any estimated proceeds from the eventual disposition. In the event these accumulated cash flows are less than the carrying amount of the property, the Organization recognizes an impairment loss equal to the excess of the carrying amount over the estimated fair value of the property. No impairment loss has been recognized during the years ended June 30, 2021 and 2020.

**Public Support and Pledges Receivable** The Organization recognizes contributions when cash, securities or other assets or an unconditional promise to give is received. Conditional promises to give, that is, those with a measureable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. Any funds received in advance of a condition being met are recorded as a liability.

Unconditional promises to give are recorded as receivables and contributions, distinguishing between contributions received for each net asset class in accordance with donor-imposed restrictions. An allowance for uncollectible pledges receivable is provided, based on management's judgment, including such factors as prior collection history, type of contribution, nature of fundraising activity and when time requirements are expected to be met. Management believes the remaining outstanding receivables as of June 30, 2021 and 2020 are collectible in full and, accordingly, no allowance for uncollectible receivables has been provided.

**Contracts Receivable** Revenue from cost-reimbursable government grants are conditioned upon certain performance requirements, match requirements, and the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization performs the individual performance obligations. Any difference between the performance obligations completed and the total funds received (not to exceed the grant maximum) is recorded as a receivable or a liability, whichever is applicable.

Revenue from the grants is recognized on an accrual basis as earned according to the provisions of the grant. Provisions for potential disallowances and overruns are established when appropriate. No such provision has been recorded as of June 30, 2021 and 2020.

**Contributed Goods and Services** Contributed goods and services are recorded as contributions at their estimated fair values at the date of donation. Contributions of services are recognized if the services received create or enhance non-financial assets or require specialized skills, and would typically need to be purchased if not provided by donation. Materials and use-of-facilities contributions to the Organization are recognized and recorded at fair value as of the contribution date.

Two of the Organization's facilities are located in the Ed Edelman Children's Court building in Monterey Park, California and in the Alfred J. McCourtney Juvenile Justice Center in Lancaster, California. The facilities, including utilities, are provided by the State of California at no cost to the Organization. Management estimates the fair value of materials and facilities to be \$170,976 and \$179,103 for the years ended June 30, 2021 and 2020, respectively. The amounts have been calculated using rental rates for similar office space in similar locations. During 2020, this amount includes the value of donated parking income, which was not utilized during the year ended June 30, 2021 due to the COVID-19 related lockdown.

The Organization received luggage, laptop computers, and tablets for the benefit of the children in its caseload. Management estimates the fair value of those donated goods to be \$45,965 during the year ended June 30, 2021. There were no donated goods during the year ended June 30, 2020.

**CASA OF LOS ANGELES**  
(A NONPROFIT ORGANIZATION)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020

---

The Organization typically receives gift cards that are used by and on behalf of the children in its caseload, for living or other related expenses. The face value of the cards received was \$10,125 and \$7,210 for the years ended June 30, 2021 and 2020, respectively.

The Organization's program services rely upon the extensive use of volunteers. These volunteers receive specialized initial training and must fulfill ongoing continuing education requirements. For the years ended June 30, 2021 and 2020, management estimates the fair value of those donated services to be \$2,977,213 and \$3,535,074 for volunteer advocates, respectively. The advocates and assistant volunteers' amounts have been calculated using the Independent Sector Volunteer Rate of \$33.61 and \$31.51 per hour for the year ended June 30, 2021 and 2020, respectively.

**Gala and Other Special Events** During the year ended June 30, 2021, the Organization held a gala event and certain other smaller special events which generated revenue from sponsorships, ticket sales and donations, as well as through a silent and live auction. Special events revenues are recognized when the event is held, unless otherwise restricted by donors. The contributions received for special events scheduled to occur after year-end are recorded as deferred revenues and recognized as revenues on the date of the event. The cost of direct benefit to donors are included in event expenses in the accompanying statements of functional expenses.

Revenue and direct expenses for these events were as follows:

As of June 30,	2021	2020
Gala		
Revenue	\$ 626,714	\$ 650,541
Cost of direct benefits to donors	(46,700)	(31,248)
<b>Total gala</b>	<b>580,014</b>	<b>619,293</b>
Other special events		
Revenue	273,357	309,918
Cost of direct benefits to donors	(11,595)	(58,847)
<b>Total other special events</b>	<b>261,762</b>	<b>251,071</b>
<b>Net special event revenues</b>	<b>\$ 841,776</b>	<b>\$ 870,364</b>

**Functional Allocation of Expenses** The statement of functional expenses presents the natural classification of expenses by function. Accordingly, certain costs have been allocated among programs and supporting services benefited. Allocations of significant costs, including compensation and related expenses, contractors, and professional and consultant fees, are based on estimates of time and effort and other reasonable methods. The allocation methodology is periodically reviewed by management for relevancy and accuracy. The functional classifications are defined as follows:

- Program expenses consist of costs incurred in connection with providing services and conducting the Organization's program.
- Management and general expenses consist of costs incurred in connection with the overall activities, which are not allocable to another functional expense category.

**CASA OF LOS ANGELES**  
(A NONPROFIT ORGANIZATION)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020

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- Fundraising expenses consist of costs incurred in connection with activities related to obtaining grants and activities designed to generate revenue.

**Income Taxes** The Organization is exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code and from state income tax under comparable provisions. However, income from certain activities not directly related to the Organization's tax exempt purpose is subject to taxation as unrelated business income. The Organization does not have any income, which it believes would subject it to unrelated business income taxes.

The Organization follows the provisions of the accounting topic for income taxes, which provides guidance for how uncertain income tax provisions should be recognized, measured, presented and disclosed in the financial statements. The Organization recognizes the effects of income tax positions only if those positions are more likely than not to be sustained in the future. There were no uncertain tax positions that would have a material effect on the financial statements. With few exceptions, the Organization is no longer subject to U.S. federal and state income tax examinations by tax authorities for years before 2017. There are no tax examinations currently pending.

**Recently Issued Accounting Pronouncement** In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (ASU 2020-07). The amendments in this update make improvements to information presented in the not-for-profit entity's financial statements including specific disclosure requirements about its contributed nonfinancial assets. ASU 2020-07 is effective for fiscal years beginning after June 15, 2021, including interim periods within annual periods beginning after June 15, 2022. The Organization is currently evaluating the impact of the adoption of the new standard.

**Reclassifications** Certain reclassifications have been made to the prior year financial statements to conform to the presentation of the current year financial statements.

## 2. LIQUIDITY AND AVAILABILITY OF RESOURCES

As of June 30,	2021	2020
Financial assets at year-end		
Cash and cash equivalents	\$ 1,799,176	\$ 2,117,891
Investments	2,067,645	1,368,890
Pledges and grants receivable	174,509	134,153
Contracts receivable	154,739	151,329
<b>Total financial assets</b>	<b>4,196,069</b>	<b>3,772,263</b>
Less amounts not available to be used within one year:		
Donor-restricted funds not available for general expenditures	(1,217,378)	(1,372,369)
<b>Financial assets available to meet cash needs for general expenditures within one year</b>	<b>\$ 2,978,691</b>	<b>\$ 2,399,894</b>



**CASA OF LOS ANGELES**  
(A NONPROFIT ORGANIZATION)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020

---

The Organization receives significant contributions restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. For the year ended June 30, 2021, cash with donor restrictions of \$362,501 and investments with donor restrictions of \$150,000 were included in the financial assets available to meet cash needs for general expenditures within one year. For the year ended June 30, 2020, cash with donor restrictions of \$357,238 and investments with donor restrictions of \$150,000 were included in the financial assets available to meet cash needs or general expenditures within one year.

The Organization manages its liquidity and reserves to operate within a prudent range of financial soundness and stability, hold adequate liquid assets to fund near-term operating needs, and maintain sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. Under its reserve policy, the Organization is working to accumulate several months' operating expense in a segregated bank account, funded from annual increases in net assets. As of June 30, 2021 and 2020, the Organization held \$331,634 and \$331,522 in its operating reserve account, respectively.

To further help manage unanticipated liquidity needs, the Organization has a committed line of credit with a total availability of \$250,000, which it may draw at any time and which remained available in full at June 30, 2021 (Note 5).

### 3. INVESTMENTS

The Organization's investment assets, which include publicly held investments, are dedicated to providing the financial resources needed to meet the Organization's operations, and other charitable objectives. The Organization's investments consist of the following:

<b>As of June 30,</b>	<b>2021</b>	<b>2020</b>
US Treasury bonds	\$ -	\$ 1,368,890
Corporate bonds	1,067,645	-
Certificates of deposit with maturity exceeding 90 days	1,000,000	-
<b>Investments</b>	<b>\$ 2,067,645</b>	<b>\$ 1,368,890</b>

### 4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

<b>As of June 30,</b>	<b>2021</b>	<b>2020</b>
Telephone and computer equipment	\$ 321,519	\$ 252,288
Furniture and fixtures	188,392	188,392
Leasehold improvements	515,977	515,977
	1,025,888	956,657
Less: accumulated depreciation and amortization	(482,763)	(416,968)
<b>Property and equipment, net</b>	<b>\$ 543,125</b>	<b>\$ 539,689</b>

**5. LINE OF CREDIT**

The Organization entered into a line of credit agreement with a financial institution with a borrowing limit of \$250,000 that accrues interest at the prime rate (3.25% as of June 30, 2021 and 2020) plus 1.25% and which is secured by substantially all of the assets of the Organization. The line of credit has no set expiration date. As of June 30, 2021 and 2020, the Organization did not carry a balance on this line of credit.

**6. PAYCHECK PROTECTION PROGRAM LOAN**

In April 2020, the Organization received loan proceeds in the amount of \$687,645 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief, and Economic Security ("CARES") Act, provides for loans to qualifying entities for amounts up to 2.5 times the average monthly payroll expenses of the qualifying entity. The loans and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the program.

The Organization accounts for the loan under the PPP as a financial liability in accordance with ASC 470, *Debt*. The Organization does not impute additional interest at a market rate even though the stated interest rate under the PPP may be below market. Transactions, where interest rates are prescribed by governmental agencies, are excluded from the scope of ASC 835-30, *Interest – Imputation of Interest*. In accordance with ASC 470, the proceeds from the PPP loan will remain recorded as a liability until either (1) the loan is, in part or wholly, forgiven and the Organization has been legally released; or (2) the loan has been repaid.

The Organization did not provide any collateral or guarantees for the PPP Loan, nor did the Organization pay any facility charge to obtain the PPP Loan. The PPP Loan provided for customary events of default, including, among others, those relating to failure to make payment and breaches of representations. The Organization was allowed to prepay the principal of the PPP Loan at any time without incurring any prepayment charges.

Under the CARES Act and the PPP Loan, loan forgiveness is available for the sum of documented payroll costs, covered rent payments, and covered utilities during the 24-week period beginning on the date of the first disbursement of the PPP Loan. For purposes of the CARES Act, payroll costs exclude cash compensation of an individual employee in excess of \$100,000, prorated annually. Not more than 40% of the forgiven amount could be attributable to non-payroll costs.

In April 2021, the PPP loan was wholly forgiven and the Organization was legally released of the liability. As a result, the Organization recognized the income from debt forgiveness in the amount of \$687,645 in the accompanying statements of activities and change in net assets during the year ended June 31, 2021.

**CASA OF LOS ANGELES**  
(A NONPROFIT ORGANIZATION)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020

---

**7. NET ASSETS WITH DONOR RESTRICTIONS**

	Available June 30, 2020	New Revenues, Net	Releases	Available June 30, 2021
<b>Subject to expenditure for special purposes:</b>				
Advocacy Staffing	\$ -	\$ 225,000	\$ (75,000)	\$ 150,000
Computer Equipment	80,000	30,000	(80,000)	30,000
Dillon's Special Needs Fund	22,369	7,000	(11,991)	17,378
Direct Child Support	-	75,000	-	75,000
Early Childhood Initiative	30,000	10,000	(30,000)	10,000
Educational Advocacy	62,500	30,000	(72,500)	20,000
Marketing	-	100,000	(8,333)	91,667
Non-minor Dependents	6,253	-	(6,253)	-
Online Training	-	50,000	(33,333)	16,667
Post-secondary	-	55,000	(38,333)	16,667
Scholarship Fund	-	8,910	(8,910)	-
Transition Age Youth	137,654	195,000	(235,154)	97,500
Volunteer Programs	20,831	24,455	(45,286)	-
Volunteer Retention and Training	1,350,000	-	(150,000)	1,200,000
Youth Development	-	5,000	(5,000)	-
<b>Subtotal</b>	<b>1,709,607</b>	<b>815,365</b>	<b>(800,093)</b>	<b>1,724,879</b>
<b>Subject to passage of time:</b>				
For the period after June 30, 2021	150,000	120,000	(140,000)	130,000
<b>In perpetuity:</b>				
Endowment	20,000	-	-	20,000
<b>Total net assets with donor restrictions</b>	<b>\$1,879,607</b>	<b>\$ 935,365</b>	<b>\$ (940,093)</b>	<b>\$1,874,879</b>

**CASA OF LOS ANGELES**  
(A NONPROFIT ORGANIZATION)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020

	Available June 30, 2019	New Revenues, Net	Releases	Available June 30, 2020
<b>Subject to expenditure for special purposes:</b>				
Community Expansion	\$ 154,166	\$ -	\$ (154,166)	\$ -
Computer Equipment	-	80,000	-	80,000
Dillon's Special Needs Fund	25,512	5,258	(8,401)	22,369
Early Childhood Initiative	-	70,000	(40,000)	30,000
Educational Advocacy	179,163	95,000	(211,663)	62,500
Glamour Gowns	-	30,000	(30,000)	-
Mental Health	16,000	-	(16,000)	-
Non-minor Dependents	75,000	25,000	(93,747)	6,253
Scholarship Fund	-	8,695	(8,695)	-
Transition Age Youth	113,336	407,000	(382,682)	137,654
Volunteer Programs	76,315	79,347	(134,831)	20,831
Volunteer Retention and Training	-	1,500,000	(150,000)	1,350,000
<b>Subtotal</b>	<b>639,492</b>	<b>2,300,300</b>	<b>(1,230,185)</b>	<b>1,709,607</b>
<b>Subject to passage of time:</b>				
For the period after June 30, 2020	14,589	200,000	(64,589)	150,000
<b>In perpetuity:</b>				
Endowment	-	20,000	-	20,000
<b>Total net assets with donor restrictions</b>	<b>\$ 654,081</b>	<b>\$2,520,300</b>	<b>\$(1,294,774)</b>	<b>\$1,879,607</b>

## 8. ENDOWMENTS

The Organization has established an endowment fund to help the quality of its programs for children and families. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

**Interpretation of Laws and Accounting Guidance** The Organization's Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") adopted by the state of California as requiring the preservation of the fair value of the original gifts as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions in perpetuity: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified as net assets with restrictions in perpetuity is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

**CASA OF LOS ANGELES**  
(A NONPROFIT ORGANIZATION)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020

---

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted funds:

1. The duration and preservation of the fund
2. The purposes of the Organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and appreciation of investments
6. Other resources of the Organization
7. The Organization's investment policies

**Return Objectives and Risk Parameters** The endowment fund is intended to generate income to support operations. As of June 30, 2021, endowment assets are invested in corporate fixed income securities that are intended to result in consistent rate of return that has sufficient liquidity to make an annual distribution of up to 4% of its three-year average market value of year-end endowment account balance, while growing funds if possible. Actual returns in any given year may vary from this amount.

**Strategies Employed for Achieving Objectives** The Organization may invest endowment assets in domestic and international equities, fixed income instruments of investment grade AA or higher, or high-yield instruments of grade BBB or higher.

**Spending Policy and How Investment Objectives Relate to Spending Policy** The annual allocation from the endowment to the operating budget shall be up to 4% of the three-year average market value of the year-end endowment account balance.

Endowment net asset composition by class as of June 30, 2021 was as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 20,000	\$ 20,000
Accumulated investment earnings	-	-	-
<b>Total endowments</b>	<b>\$ -</b>	<b>\$ 20,000</b>	<b>\$ 20,000</b>

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

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, June 30, 2020	\$ -	\$ 20,000	\$ 20,000
Investment return	-	-	-
Contributions	-	-	-
Appropriations and expenditures	-	-	-
<b>Endowment net assets, June 30, 2021</b>	<b>\$ -</b>	<b>\$ 20,000</b>	<b>\$ 20,000</b>

**CASA OF LOS ANGELES**  
(A NONPROFIT ORGANIZATION)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020

---

Endowment net asset composition by class as of June 30, 2020 was as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 20,000	\$ 20,000
Accumulated investment earnings	-	-	-
<b>Total endowments</b>	<b>\$ -</b>	<b>\$ 20,000</b>	<b>\$ 20,000</b>

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

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, June 30, 2019	\$ -	\$ -	\$ -
Investment return	-	-	-
Contributions	-	20,000	20,000
Appropriations and expenditures	-	-	-
<b>Endowment net assets, June 30, 2020</b>	<b>\$ -</b>	<b>\$ 20,000</b>	<b>\$ 20,000</b>

**9. EMPLOYEE RETIREMENT PLAN**

Effective January 1, 2016, the Organization established a contributory retirement plan under Section 403(b) of the Internal Revenue Code. Generally, all full-time employees are eligible under the plan and may make voluntary contributions to the plan on a pre-tax or post-tax basis, up to the maximum allowed by law.

The retirement plan allows for a discretionary employer match. For the years ended June 30, 2021 and 2020, the Organization made a discretionary match equal to 50% of each employee's contribution, up to a maximum of 2% of employee compensation, beginning January 2, 2019. During the years ended June 30, 2021 and 2020, the Organization's contributions totaled \$5,115 and \$58,887, respectively.

**10. SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events that have occurred through the independent auditor's report date, which is the date these financial statements were available to be issued, and determined that there were no subsequent events or transactions that required recognition or disclosure in the financial statements.