



**CASA ESPERANZA, INC.  
AND  
CASA ESPERANZA ENDOWMENT  
FOUNDATION, INC.**

Consolidated Financial Statements  
And  
Independent Auditor's Report

June 30, 2008

**CASA ESPERANZA, INC., AND CASA ESPERANZA ENDOWMENT FOUNDATION  
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FOR THE YEAR ENDED JUNE 30, 2008**

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**CASA ESPERANZA, INC., AND CASA ESPERANZA FOUNDATION, INC.  
OFFICIAL ROSTER  
FOR THE YEAR ENDED JUNE 30, 2008**

**BOARD OF DIRECTORS**

Johnese M. Turri	Chair
Leo Moya	Vice-Chair
Anthony R. Masciotra, Jr.	Treasurer
Lily Curtis	Secretary
Beth Brodie	Director
Melanie Cravens	Director
Ryan Dobbs	Director
Mary Ann Howard	Director
Trevor Lewis	Director
Fred Moore	Director
Betty L. Shaum	Director
Sherri Wells	Director

**ADMINISTRATIVE STAFF**

Eileen Cook	Executive Director
Mary Loyd	Financial Director

**O.D. WATERS, PC**  
**CERTIFIED PUBLIC ACCOUNTANT**

2425 Alamo SE, Suite C.  
Albuquerque, NM 87106

Phone: 505-260-0616  
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To the Board of Directors of  
Casa Esperanza, Inc. and  
Casa Esperanza Endowment Foundation, Inc.  
Albuquerque, New Mexico

**INDEPENDENT AUDITOR'S REPORT**

We have audited the accompanying consolidated statement of financial position of Casa Esperanza, Inc., and Casa Esperanza Endowment Foundation, Inc. (both nonprofit organizations) as of June 30, 2008, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of Casa Esperanza Inc and Casa Esperanza Foundation's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Casa Esperanza, Inc., and Casa Esperanza Endowment Foundation, Inc. as of June 30, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.



Ollie D. Waters, CPA  
O.D. Waters, PC  
Albuquerque, New Mexico  
September 19, 2008

**CASA ESPERANZA, INC. AND CASA ESPERANZA FOUNDATION, INC.**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2008**

ASSETS:

Current Assets

Cash and Cash Equivalents (Note 2)	\$ 448,270
Accounts Receivable	21,203
Contributions Receivable	5,692
Grant Receivables (Note 3)	85,496
Accrued Interest Receivable	6,889
Other Receivables	1,216
Inventory	67,189
Prepaid Expenses	2,963
Land Held for Sale	20,249
Total Current Assets	659,167

Property & Equipment

Property & Equipment (Note 4)	1,879,472
Less Accumulated Depreciation (Note 4)	(920,282)
Net Property & Equipment	959,190

Other Assets

Investments (Note 5)	1,483,093
Contributed Use of Property (Note 6)	127,272
Endowment Fund (Note 7)	23,466
Technology Vouchers	7,000
Total Other Assets	1,640,831
Total Assets	\$ 3,259,188

LIABILITIES:

Current Liabilities

Accounts Payable	\$ 14,276
Accrued Wages & Benefits (Note 8)	39,813
Deposits Payable	2,305
Current Portion of Note Payable (Note 9)	13,761
Total Current Liabilities	70,155

Long Term Liabilities

Note Payable-net of current portion (Note 9)	4,576
Total Liabilities	74,731

NET ASSETS:

Unrestricted (Note 10)	2,959,640
Temporarily Restricted (Note 10)	224,817
Total Net Assets	3,184,457
Total Liabilities & Net Assets	\$ 3,259,188

SEE INDEPENDENT AUDITOR'S REPORT  
The Accompanying Notes Are An Integral Part Of These Financial Statements

**CASA ESPERANZA, INC. AND CASA ESPERANZA ENDOWMENT FOUNDATION, INC.**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>REVENUE:</b>			
Vehicle Donation Program	616,395	-	616,395
Cost of Sales	124,488	-	124,488
Gross Profit	<u>491,907</u>	<u>-</u>	<u>491,907</u>
Grants (Note 11)	209,150	53,500	262,650
Program Income	252,483	-	252,483
Contributions and Support, net of allowance of \$1,829	61,815	14,407	76,222
Event Income	126,097	-	126,097
Interest Income	3,182	-	3,182
Investment Return	(10,769)	-	(10,769)
Other Income	3,120	-	3,120
In-Kind Income (Note 12)	111,676	-	111,676
Net Assets released from restrictions:			
Restrictions satisfied by program payments	52,501	(52,501)	-
Total Revenue	<u>1,301,162</u>	<u>15,406</u>	<u>1,316,568</u>
<b>EXPENSES:</b>			
Program	516,956	-	516,956
General & Administrative	276,424	-	276,424
Fundraising (Note 13)	476,940	-	476,940
Total Expenses before Depreciation	<u>1,270,320</u>	<u>-</u>	<u>1,270,320</u>
Change in Net Assets before Depreciation	30,842	15,406	46,248
Depreciation Expense (Note 4)	<u>71,483</u>	<u>-</u>	<u>71,483</u>
Increase (Decrease) in Net Assets	(40,641)	15,406	(25,235)
Net Assets at Beginning of Year	3,000,281	209,411	3,209,692
Net Assets at End of Year	<u>\$ 2,959,640</u>	<u>\$ 224,817</u>	<u>\$ 3,184,457</u>

SEE INDEPENDENT AUDITOR'S REPORT  
The Accompanying Notes Are An Integral Part Of These Financial Statements

**CASA ESPERANZA, INC. AND  
CASA ESPERANZA ENDOWMENT FOUNDATION INC.  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2008**

	<b>PROGRAM SERVICES</b>		
	<b>PATIENT NAVIGATION &amp; SURVIVOR SERVICES</b>	<b>PATIENT LODGING</b>	<b>TOTAL PROGRAM SERVICES</b>
Salaries & Wages	69,907	136,353	206,260
Payroll Taxes	5,568	12,064	17,632
Benefits (Note 14)	14,112	33,130	47,242
Advertising & Promotion	236	4,756	4,992
In-Kind Expenses	100	17,968	18,068
Event Expense	-	-	-
Professional Services	467	33,550	34,017
Utilities	907	47,324	48,231
Occupancy (Note 6)	-	21,000	21,000
Office Expenses	648	9,547	10,195
Repairs & Maintenance	369	26,433	26,802
Patient Support	7,099	15,000	22,099
Resident Supplies	-	20,126	20,126
Investment Expenses	-	-	-
Insurance	-	14,514	14,514
Postage & Shipping	47	4,111	4,158
Printing & Publications	527	3,889	4,416
Travel & Mileage	428	2,991	3,419
Staff & Donor Recognition	299	2,389	2,688
Conferences & Meetings	467	622	1,089
Assistance to Beneficiary	-	4,240	4,240
Board Expenses	-	43	43
Training & Development	-	-	-
Supplies	-	-	-
Cost of Sales	-	2,198	2,198
Interest Expense	-	2,082	2,082
Loss on Asset Disposition	-	653	653
Bad Debt Expenses	-	792	792
Expenses Before Depreciation	101,181	415,775	516,956
Depreciation Expense (Note 4)	-	68,517	68,517
Total Expenses	101,181	484,292	585,473

SEE INDEPENDENT AUDITOR'S REPORT  
The Accompanying Notes Are An Integral Part Of These Financial Statements

**CASA ESPERANZA, INC. AND  
CASA ESPERANZA ENDOWMENT FOUNDATION INC  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2008**

	<b>SUPPORTING SERVICES</b>				
	<b>MANAGEMENT &amp; GENERAL</b>	<b>FUNDRAISING</b>	<b>VEHICLE DONATION PROGRAM</b>	<b>TOTAL SUPPORTING SERVICES</b>	<b>2008 TOTAL EXPENSES</b>
Salaries & Wages	143,524	68,453	48,004	259,981	466,241
Payroll Taxes	11,696	6,726	4,435	22,857	40,489
Benefits (Note 14)	48,548	23,653	15,860	88,061	135,303
Advertising & Promotion	638	2,136	84,490	87,264	92,256
In-Kind Expenses	696	54,632	10,310	65,638	83,706
Event Expense	-	74,478	-	74,478	74,478
Professional Services	12,981	27	13,579	26,587	60,604
Utilities	1,533	1,432	3,367	6,332	54,563
Occupancy (Note 6)	-	-	26,900	26,900	47,900
Office Expenses	15,154	8,892	3,779	27,825	38,020
Repairs & Maintenance	1,671	1,123	-	2,794	29,596
Patient Support	5,000	280	-	5,280	27,379
Resident Supplies	-	-	-	-	20,126
Investment Expenses	16,830	297	-	17,127	17,127
Insurance	1,934	334	-	2,268	16,782
Postage & Shipping	3,374	4,608	1,023	9,005	13,163
Printing & Publications	3,190	2,239	2,588	8,017	12,433
Travel & Mileage	807	2,857	2,738	6,402	9,821
Staff & Donor Recognition	2,719	1,028	-	3,747	6,435
Conferences & Meetings	1,394	210	1,573	3,177	4,266
Assistance to Beneficiary	-	-	-	-	4,240
Board Expenses	3,842	-	36	3,878	3,921
Training & Development	891	410	1,380	2,681	2,681
Supplies	-	-	2,626	2,626	2,626
Cost of Sales	-	-	-	-	2,198
Interest Expense	-	-	-	-	2,082
Loss on Asset Disposition	-	-	439	439	1,092
Bad Debt Expenses	-	-	-	-	792
Expenses Before Depreciation	<u>276,422</u>	<u>253,815</u>	<u>223,127</u>	<u>753,364</u>	<u>1,270,320</u>
Depreciation Expense (Note 4)	2,116	-	850	2,966	71,483
Total Expenses	<u><u>278,538</u></u>	<u><u>253,815</u></u>	<u><u>223,977</u></u>	<u><u>756,330</u></u>	<u><u>1,341,803</u></u>

SEE INDEPENDENT AUDITOR'S REPORT  
The Accompanying Notes Are An Integral Part Of These Financial Statements

**CASA ESPERANZA, INC. AND CASA ESPERANZA ENDOWMENT FOUNDATION  
CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2008**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from vehicle donation program	616,395
Cash received from rental fees	260,857
Cash received from grantors	228,775
Proceeds from fundraising event	126,097
Cash received from investments	83,936
Cash received from contributions and support	69,739
Cash received from interest income	3,182
Cash received from other income sources	3,120
Cash paid for interest	(2,082)
Cash paid to and on behalf of employees	(642,309)
Cash paid for operating expenses	<u>(668,486)</u>
Net cash provided by operating activities	<u>79,224</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Proceeds from the sale of investments	782,145
Investment in Endowment	(25,000)
Cash paid for investment in equipment	(34,379)
Reinvestment of dividends and realized gains	(83,702)
Sale proceeds reinvested	<u>(700,632)</u>
Net cash provided by investing activities	<u>(61,568)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Principal payments on debt	<u>(12,943)</u>
Net cash provided by financing activities	<u>(12,943)</u>
Net increase (decrease) in cash and cash equivalents	4,713
Cash and cash equivalents at beginning of year	<u>443,557</u>
Cash and cash equivalents at end of year	<u>448,270</u>
<b>RECONCILIATION OF INCREASE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Increase in Net Assets	(25,235)
Adjustments to reconcile increases in net assets to cash provided by operating activities:	
Depreciation	71,483
Unrealized loss on investments	106,796
Unrealized loss on asset disposition	522
Unrealized gain on land values	(10,574)
(Increases) Decreases in operating assets:	
(Increase ) Decrease in Account Receivable	8,136
(Increase) Decrease in Prepaid Expenses	5,572
(Increase ) Decrease in Foundation Receivable	440
(Increase ) Decrease in Interest Receivable	(583)
(Increase) Decrease in Other Receivable	(1,042)
(Increase) Decrease in Contribution Receivable	(5,203)
(Increase) Decrease in Inventory	(26,794)
(Increase )Decrease in Grant Receivable	(33,875)
Increases (Decreases) in operating liabilities:	
Increase (Decrease) in Deposits	190
Increase (Decrease) in Accrued Wages & Benefits	(276)
Increase (Decrease) in Accounts Payable	<u>(10,333)</u>
Net cash provided by operating activities	<u>79,224</u>
<b>SIGNIFICANT NON CASH ACTIVITIES</b>	
In-Kind Donation of Supplies	49,250
In-Kind Donation of Professional Services	38,785
In-Kind Donation of Long Lived Assets	<u>23,641</u>
Total non-cash activities	<u>111,676</u>

SEE INDEPENDENT AUDITOR'S REPORT  
The Accompanying Notes Are An Integral Part Of These Financial Statements

**CASA ESPERANZA, INC., AND CASA ESPERANZA ENDOWMENT FOUNDATION, INC.  
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

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**Note 1. Summary of Significant Accounting Policies**

**A. Function of Entity**

Casa Esperanza, Inc., a nonprofit organization, was incorporated in the State of New Mexico on April 9, 1987. The stated mission of Casa Esperanza, Inc. is to provide a facility offering temporary lodging for cancer patients and their family members while the patient is undergoing diagnostic, treatment, or follow up care in a Albuquerque health care facility. Casa Esperanza, Inc. operates and maintains twenty-eight rooms specifically for this purpose.

Casa Esperanza Endowment Foundation, a nonprofit organization, was incorporated in the State of New Mexico on May 3, 3001. The stated mission of the Foundation is to operate for the sole benefit of Casa Esperanza, Inc. by assisting it in carrying out its charitable purpose.

The Casa Esperanza Endowment Foundations serves as a supporting organization for Casa Esperanza Inc. The Foundation manages an investment portfolio, a vehicle donation program and sponsors fundraising events in order to raise funds to support the mission of Casa Esperanza Inc.

In addition to the provision of low cost lodging to cancer patients and their families, Casa Esperanza, Inc. provides comprehensive support services. These programs are as follows:

**Clinical Counseling:**

Clinical support services include:

- Professional counseling and confidential consultation regarding any mental, emotional, or psychological issues related to cancer and cancer treatment for individuals and families.
- Psycho-educational presentations and discussion groups for staff and families on a variety of issues related to cancer and cancer treatment.

**Patient Navigation and Survivor Services:**

- This program provides for an on-site Cancer Information and Resource Center with free publications and materials on cancer related topics. Dedicated staff are available to assist patients and families with:
  - Locating resources
  - Communicating with your health care team
  - Coordinating translation services
  - Interpreting physician instructions
  - Locating counseling and mental health providers
  - Finding survivors and support groups
  - Solving practical problem related to treatment
  - Finding legal and financial counseling services.

Funding for these programs is provided by grants from the NM Departments of Health and Human Services, the Con Alma Foundation, the United Way of Central NM, the Red Rock Foundation, the Frost Foundation, the McCune Foundation, and the Casa Esperanza Endowment Foundation.

**CASA ESPERANZA, INC., AND CASA ESPERANZA ENDOWMENT FOUNDATION, INC.**  
**CONSOLIDATED NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

Additional funding is provided by grants from various foundations, support from individual and corporate donors, and proceeds from the provision of patient and family lodging.

Casa Esperanza, Inc. and Casa Esperanza Foundation are governed by a Board of Directors, which have the responsibility for determining policy and for the execution and evaluation of programs and activities conducted by the Organization. Board members represent government, business, public sector, and private individuals. The term served by Board members is three years.

**B. Tax Exempt Status**

Casa Esperanza, Inc. and Casa Esperanza Endowment Foundation are exempt from Federal Income taxes under section 501C(3) of the Internal Revenue Code and is not considered a private foundation within the meaning of Section 509 (A) of the Code.

**C. Basis of Accounting**

The accompanying financial statements have been prepared using the accrual method of accounting. Under the accrual method of accounting, revenues are recognized when earned rather than received, and expenses are recognized when the related liability is incurred rather than when paid.

**D. Financial Statement Presentation**

The accompanying financial statements have been prepared following the guidance required under Financial Accounting Standards (SFAS) #116 "*Accounting for Contributions Received and Contributions Made*" and (SFAS) #117, "*Financial Statements of Not-for-Profit Organizations.*" Under guidance expressed in these statements, "An organization's net assets and its revenues, expenses, gains and losses are classified based on whether they are restricted by donors. Amounts for each of these three classes of net assets; permanently restricted, temporarily restricted, and unrestricted, are required to be displayed in a statement of financial position and amounts of change in each of these classes of net assets are required to be displayed in a statement of activities. Recognition of the expiration of donor-imposed restrictions in the period in which the restrictions expire is required. Expirations of restrictions that simultaneously increase one class of net assets and decrease another (reclassifications) are reported separately from other transactions in the statement of activities".

Amounts for Casa Esperanza Inc. and Casa Esperanza Endowment Foundation's total assets, liabilities and net assets are to be reported in a statement of financial position; the change in Casa Esperanza Inc. and Casa Esperanza Endowment Foundation's net assets is reported in a statement of activities; and the change in its cash and cash equivalents is reported in a statement of cash flows.

**E. Statement of Cash Flows**

For purposes of the statement of cash flows, Casa Esperanza, Inc. and Casa Esperanza Endowment Foundation consider all highly liquid investments as cash equivalents. At June 30, 2008, Casa Esperanza, Inc. and Casa Esperanza Endowment Foundation did not own any cash equivalents. Cash includes amounts held in checking accounts at local banking institutions.

**F. Grant Receivables**

Grant receivables represent the amount expended during the grant period but reimbursed by the grantor after year-end. When revenues are received in the next year, the receivable will then be reduced.

**CASA ESPERANZA, INC., AND CASA ESPERANZA ENDOWMENT FOUNDATION, INC.**  
**CONSOLIDATED NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**Note 1. Summary of Significant Accounting Policies –continued:**

**G. Promises to Give**

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases in liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

**H. Fixed Assets**

Fixed assets are stated at cost. Casa Esperanza, Inc. and Casa Esperanza Endowment Foundation capitalize all acquisitions at cost in excess of \$500. Depreciation, which includes the assets recorded under capital leases, is computed principally using the straight-line method over the estimated useful lives of individual assets. Asset lives range from three to forty years.

**I. Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**J. Contribution of Services**

Contributions of services are recognized in the financial statements of Casa Esperanza, Inc. and Casa Esperanza Endowment Foundation only if the services received (a) create or enhance the nonfinancial assets of Casa Esperanza Inc. and Casa Esperanza Endowment Foundation, and (b) require specialized skills, that are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

**K. Donated Property and Equipment**

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specified purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, Casa Esperanza, Inc. and Casa Esperanza Endowment Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. Casa Esperanza, Inc. and Casa Esperanza Endowment Foundation reclassify temporarily restricted net assets to unrestricted net assets at that time.

**L. Restricted and Unrestricted Support and Revenue**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

**CASA ESPERANZA, INC., AND CASA ESPERANZA ENDOWMENT FOUNDATION, INC.  
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**M. Expense Allocation**

The costs of providing various programs have been summarized on a functional basis in the statement of activities and the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Note 2. Cash Balances**

Casa Esperanza Inc.'s cash balance on the Statement of Financial Position consists of the following at June 30, 2008:

	<u>Reconciled Balance</u>
Checking & Savings Accts	\$185,585
Cash on Hand	<u>4,924</u>
Total	<u>\$190,509</u>

All deposits with financial institutions are fully insured with the Federal Deposit Insurance Corporation.

Casa Esperanza Endowment Foundation's cash balance on the Statement of Financial Position consists of the following at June 30, 2008:

	<u>Reconciled Balance</u>
Checking & Savings Accts	<u>\$257,761</u>
Total	<u>\$257,761</u>

At June 30, 2008, the Foundation had \$46,255 in balances in excess of federally insured limits.

**Note 3. Grant Receivable**

Grant receivables represent the following amounts due to Casa Esperanza, Inc. at June 30, 2008:

NM Department of Health	\$ 20,536
NM Human Services Department	11,460
Con Alma Foundation	25,000
United Way of Central NM	<u>28,500</u>
Total	<u>\$85,496</u>

**Note 4. Property & Equipment**

The components of property and equipment at June 30, 2008 are as follows:

Vehicles	2,578
Furniture and Fixtures	423,793
Equipment	93,230
Leasehold Improvements	22,164
Buildings	<u>1,337,707</u>
Total property & equipment	1,879,472
Less accumulated depreciation	<u>920,282</u>
Net property & equipment	<u>959,190</u>

Depreciation expense for the year ended June 30, 2008 was \$71,483.

**CASA ESPERANZA, INC., AND CASA ESPERANZA ENDOWMENT FOUNDATION, INC.  
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**Note 5. Investments**

The Foundation carries investments with readily determinable fair values. Market value at June 30, 2008 is as follows:

Investments:	
Money Market Accounts	32,147
Equity Securities	<u>1,450,947</u>
Total Investments	<u>1,483,094</u>

Investment return is summarized as follows:

Unrealized Loss	(103,938)
Interest Income & Realized Gains	<u>66,706</u>
Total Investment return	<u>(37,232)</u>

Average Investments	1,534,077
Net Investment Return	(37,232)
Average Return on Investments	-2%

**Note 6. Contributed Use of Property**

Casa Esperanza, Inc. received the use of the land on which the facility is constructed in the form of a 25 year, no cost, lease that originated in June of 1992. The contributed land was recorded at fair market value on the date of the donation. The fair market value of the contribution is reduced annually to record the recognition of income and the reduction in market value. The annual revenue recognized as a result of this transaction is recorded as in-kind income based on an amortization rate of 9.25% over the life of the lease. The amount receivable over the next five years, and thereafter, is as follows:

2009	\$12,576
2010	13,409
2011	14,296
2012	15,242
2013	16,251
Thereafter	<u>55,498</u>
Total Contribution Receivable	<u>\$127,271</u>

The amount recorded as income over the next five years, and thereafter, is as follows:

2009	\$8,424
2010	7,591
2011	6,704
2012	5,758
2013	4,749
Thereafter	<u>7,502</u>
Total Contribution Receivable	<u>\$40,728</u>

In each year the total of these two amounts are offset by recording an in-kind occupancy expense in the amount of \$21,000.

**CASA ESPERANZA, INC., AND CASA ESPERANZA ENDOWMENT FOUNDATION, INC.  
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**Note 7. Endowment Fund**

The Casa Esperanza Endowment Fund, held at the New Mexico Community Foundation is stated at fair value, which represents contributions made under the endowment, plus earnings, less withdrawals and management fees.

**Note 8. Accrued Wages & Benefits**

Employees of Casa Esperanza, Inc. and Casa Esperanza Endowment Foundation earn wages and annual leave based on stated policies. Earned but unpaid wages and annual leave are payable to the employee upon termination. These accrued amounts are shown as a liability on the statement of financial position and the related change in liability is reflected as an expense in the year of change.

**Note 9. Note Payable**

Casa Esperanza, Inc. has an obligation to Wells Fargo Bank bearing interest rates based upon the prime rate plus 1%. Currently Casa Esperanza, Inc. is paying 6%. The loans are payable in monthly installments of \$1,173, including interest, and is collateralized by demand deposits.

Loan maturities for each of the five years following June 30, 2008 are as follows:

2009	\$13,761
2010	4,576
2011	0
2012	0
2013	0
Thereafter	<u>0</u>
Total Note Payable	<u>\$18,337</u>

**Note 10. Net Assets**

Casa Esperanza, Inc. and Casa Esperanza Endowment Foundation classify its net assets into the following categories:

**Unrestricted** – net assets that are not subject to donor-imposed stipulations. This includes certain amounts designated by the Board for grants, endowments and other purposes.

**Temporarily Restricted** – net assets subject to donor-imposed stipulations that, may, or will be met either by actions of Casa Esperanza, Inc. and/or the passage of time.

Temporarily restricted net assets at June 30, 2008 consist of:

Assets restricted under Land Lease	127,271
United Way of Central NM	28,500
Con Alma Foundation	25,000
Revenue restricted to specific programs	<u>44,046</u>
Total	<u>\$224,817</u>

**Permanently Restricted** – net assets subject to donor-imposed restrictions that they be maintained permanently by Casa Esperanza, Inc or Casa Esperanza Endowment Foundation.

**CASA ESPERANZA, INC., AND CASA ESPERANZA ENDOWMENT FOUNDATION, INC.  
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**Note 11. Grant Income**

Grant income represents support received by the Casa Esperanza, Inc. from the following funding sources:

NM Department of Health	126,400
Con Alma Foundation	50,000
United Way of Central NM	28,500
Red Rock Foundation	10,000
Frost Foundation	10,000
McCune Foundation	10,000
Other	<u>27,750</u>
Total grant income	<u>\$ 262,650</u>

**Note 12. Donated Materials and Services**

During the fiscal year ended June 30, 2008, Casa Esperanza, Inc. received \$5,030 in donated professional services, \$17,367 in donated materials and supplies, and \$23,641 in contributed use of property.

During the fiscal year ended June 30, 2008, Casa Esperanza Endowment Foundation received \$33,755 in donated professional services, and 31,883 in donated materials and supplies.

**Note 13. Fundraising**

Casa Esperanza, Inc. conducted ongoing fundraising appeals in order to raise awareness for their mission, and to persuade potential donors to make contributions and grants to the Organization. For the year ended June 30, 2008, fund raising expense was \$10,922. Funds raised as a result of these expenses were approximately \$355,505. This resulted in a fundraising ratio of 3%, (\$10,922 in expenses divided by \$355,505 in contribution revenue).

Casa Esperanza Endowment Foundation sponsors the Hope Chest Auction in order to raise awareness for their mission, and to persuade potential donors to make contributions and grants to the Foundation. For the year ended June 30, 2008, fund raising expense was \$466,018. Funds raised as a result of these expenses were approximately \$667,009. This resulted in a fundraising ratio of 69%, (\$466,018 in expenses divided by \$667,009 in related revenue).

**Note 14. Benefit Plans**

Casa Esperanza, Inc. and Casa Esperanza Endowment Foundation participate in a defined contribution retirement plan administered by Mutual of America. This plan is for the benefit of all eligible professional and support staff of Casa Esperanza, Inc. and Casa Esperanza Endowment Foundation who qualify under applicable participation requirements. Under the terms of the plan, contributions are made under Section 403(b) of the Code and are invested, at the discretion of the plan participant, in one or more of the investment vehicles available under the plan. The plan provides for Casa Esperanza, Inc. and Casa Esperanza Endowment Foundation to match participant contributions up to 15% of eligible salary. Retirement expense for the year ended June 30, 2008 totaled \$32,293 and \$25,103 for Casa Esperanza Inc., And Casa Esperanza Endowment Foundation respectively.

**CASA ESPERANZA, INC., AND CASA ESPERANZA ENDOWMENT FOUNDATION, INC.**  
**CONSOLIDATED NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**Note 15. Operating Leases**

Casa Esperanza, Inc. leases a digital copier under an operating lease expiring in March of 2012. Rental expenses under the operating lease were approximately \$7,572. The future remaining lease payments under these agreements are as follows:

<b>Year ended June 30,</b>	
2009	7,572
2010	7,572
2011	7,572
2012	5,679
2013	<u>0</u>
Remaining balance on leases	<u>\$28,395</u>

**CASA ESPERANZA, INC., AND CASA ESPERANZA ENDOWMENT FOUNDATION, INC.  
EXIT CONFERENCE  
FOR THE YEAR ENDED JUNE 30, 2008**

On an exit conference was held on October 23, 2008 at the offices of Casa Esperanza, Inc. In attendance were the following:

**Representing Casa Esperanza, Inc., and Casa Esperanza Endowment Foundation, Inc.:**

Johnese M. Turri	Chair
Leo Moya	Vice-Chair
Anthony R. Masciotra, Jr.	Treasurer
Melanie Cravens	Director
Ryan Dobbs	Director
Trevor Lewis	Director
Fred Moore	Director
Betty L. Shaum	Director
Julie Tierney	Director
Molly O'Rourke Wall	Advisory Board
Eileen Cook	Executive Director
Mary Loyd	Financial Director

**Representing the Auditors:**

Ollie D. Waters, CPA	Auditor
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