



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

Consolidated Financial Statements
And
Independent Auditor's Report

June 30, 2009

**CASA ESPERANZA, INC. AND CASA ESPERANZA ENDOWMENT FOUNDATION
TABLE OF CONTENTS
FOR THE YEAR ENDED JUNE 30, 2009**

INTRODUCTORY SECTION

Official Roster	1
-----------------	---

FINANCIAL SECTION

Independent Auditor's Report	2
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5 - 6
Statement of Cash Flows	7
Notes to Financial Statements	8-15

SUPPLEMENTARY INFORMATION

Exit Conference	16
-----------------	----

**CASA ESPERANZA, INC. AND CASA ESPERANZA FOUNDATION, INC.
OFFICIAL ROSTER
FOR THE YEAR ENDED JUNE 30, 2009**

BOARD OF DIRECTORS

Johnese M. Turri	Chair
Leo Moya	Vice-Chair
Anthony R. Masciotra, Jr.	Treasurer
Julie Tierney	Secretary
Lia Armstrong	Director
Beth Brodie	Director
Melanie Cravens	Director
Lily Curtis	Director
Ryan Dobbs	Director
Trevor Lewis	Director
Ginny Longbotham	Director
Jennifer Lowrie	Director
Justin Meehan	Director
Fred Moore	Director
T. Zane Reeves	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

4317 Lead SE, Suite C.
Albuquerque, NM 87108

Phone: 505-260-0616
Fax: 505-212-0822
Email: odwaterscpa@msn.com

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, 2009, 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. The prior year summarized comparative information has been derived from Casa Esperanza Inc.'s and Casa Esperanza Endowment Foundation, Inc.'s consolidated financial statements and in our report dated September 19, 2008, we expressed an unqualified opinion on those statements.

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, 2009, 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 13, 2009

CASA ESPERANZA, INC. AND CASA ESPERANZA FOUNDATION, INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2009
WITH COMPARATIVE TOTALS AS OF JUNE 30, 2008

ASSETS:	<u>2009</u>	<u>2008</u>
Current Assets		
Cash and Cash Equivalents (Note 2)	\$ 322,873	\$ 448,270
Accounts Receivable	32,674	21,203
Contributions Receivable	6,372	5,692
Grant Receivables (Note 3)	50,000	85,496
Accrued Interest Receivable	6,295	6,889
Other Receivables	88	1,216
Inventory	50,251	67,189
Prepaid Expenses	7,692	2,963
Land Held for Sale	20,249	20,249
Total Current Assets	<u>496,494</u>	<u>659,167</u>
Property & Equipment		
Property & Equipment (Note 4)	2,012,861	1,879,472
Less Accumulated Depreciation (Note 4)	<u>(995,044)</u>	<u>(920,282)</u>
Net Property & Equipment	<u>1,017,817</u>	<u>959,190</u>
Other Assets		
Investments (Note 5)	1,146,744	1,483,093
Contributed Use of Property (Note 7)	114,696	127,272
Endowment Fund (Note 6)	17,935	23,466
Technology Vouchers	-	7,000
Construction in Progress	<u>62,795</u>	<u>-</u>
Total Other Assets	<u>1,342,170</u>	<u>1,640,831</u>
Total Assets	<u>\$ 2,856,481</u>	<u>\$ 3,259,188</u>
LIABILITIES:		
Current Liabilities		
Accounts Payable	\$ 49,323	\$ 14,276
Accrued Wages & Benefits (Note 8)	35,627	39,813
Deposits Payable	3,863	2,305
Other Payables	64	-
Current Portion of Note Payable	<u>-</u>	<u>13,761</u>
Total Current Liabilities	88,877	70,155
Long Term Liabilities		
Note Payable-net of current portion	<u>-</u>	<u>4,576</u>
Total Liabilities	<u>88,877</u>	<u>74,731</u>
NET ASSETS:		
Unrestricted (Note 9)	2,587,628	2,959,640
Temporarily Restricted (Note 9)	<u>179,976</u>	<u>224,817</u>
Total Net Assets	<u>2,767,604</u>	<u>3,184,457</u>
Total Liabilities & Net Assets	<u>\$ 2,856,481</u>	<u>\$ 3,259,188</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 ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009
WITH COMPARATIVE TOTALS AS OF JUNE 30, 2008

	<u>Unrestricted</u>	<u>Temporarily Unrestricted</u>	<u>2009 Total</u>	<u>2008 Total</u>
REVENUE:				
Vehicle Donation Program	\$ 637,257	\$ -	\$ 637,257	\$ 616,395
Cost of Sales	190,306	-	190,306	124,488
Gross Profit	<u>446,951</u>	<u>-</u>	<u>446,951</u>	<u>491,907</u>
Grants (Note 10)	151,155	87,500	238,655	262,650
Program Income	239,454	-	239,454	252,483
Contributions and Support	88,950	23,500	112,450	76,222
Event Income	91,176	-	91,176	126,097
Interest Income	1,287	-	1,287	3,182
Investment Return	(275,381)	-	(275,381)	(10,769)
Other Income	3,867	-	3,867	3,120
In-Kind Income (Note 11)	133,356	-	133,356	111,676
Net Assets released from restrictions:				
Restrictions satisfied by program payments	155,841	(155,841)	-	-
Total Revenue	<u>1,036,656</u>	<u>(44,841)</u>	<u>991,815</u>	<u>1,316,568</u>
EXPENSES:				
Program	576,723	-	576,723	516,956
General & Administrative	265,052	-	265,052	276,424
Fundraising (Note 12)	492,131	-	492,131	476,940
Total Expenses before Depreciation	<u>1,333,906</u>	<u>-</u>	<u>1,333,906</u>	<u>1,270,320</u>
Change in Net Assets before Depreciation	(297,250)	(44,841)	(342,091)	46,248
Depreciation Expense (Note 4)	<u>74,762</u>	<u>-</u>	<u>74,762</u>	<u>71,483</u>
Increase (Decrease) in Net Assets	(372,012)	(44,841)	(416,853)	(25,235)
Net Assets at Beginning of Year	2,959,640	224,817	3,184,457	3,209,692
Net Assets at End of Year	<u>\$ 2,587,628</u>	<u>\$ 179,976</u>	<u>\$ 2,767,604</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, 2009
WITH COMPARATIVE TOTALS AS OF JUNE 30, 2008**

	PROGRAM SERVICES		
	PATIENT NAVIGATION & SURVIVOR SERVICES	PATIENT LODGING	TOTAL PROGRAM SERVICES
Salaries & Wages	\$ 81,716	\$ 140,327	\$ 222,043
Payroll Taxes	6,804	12,185	18,989
Benefits (Note 13)	24,842	48,203	73,045
Advertising & Promotion	232	4,747	4,979
In-Kind Expenses	3,065	39,417	42,482
Event Expense	-	-	-
Professional Services	387	35,341	35,728
Utilities	805	48,230	49,035
Occupancy (Note 7 and 14)	-	21,000	21,000
Office Expenses	432	6,727	7,159
Repairs & Maintenance (Note 14)	-	26,801	26,801
Patient Support	27,842	-	27,842
Resident Supplies	-	16,329	16,329
Investment Expenses	-	-	-
Insurance	-	14,150	14,150
Postage & Shipping	242	4,157	4,399
Printing & Publications	390	2,673	3,063
Travel & Mileage	257	3,366	3,623
Staff & Donor Recognition	402	866	1,268
Conferences & Meetings	527	766	1,293
Assistance to Beneficiary	-	2,199	2,199
Board Expenses	-	-	-
Training & Development	-	-	-
Supplies	-	-	-
Cost of Sales	-	-	-
Interest Expense	-	663	663
Loss on Asset Disposition	-	-	-
Bad Debt Expenses	-	633	633
Expenses Before Depreciation	147,943	428,780	576,723
Depreciation Expense (Note 4)	223	72,382	72,605
Total Expenses	\$ 148,166	\$ 501,162	\$ 649,328

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, 2009
WITH COMPARATIVE TOTALS AS OF JUNE 30, 2008**

	SUPPORTING SERVICES			2009	2008
	MANAGEMENT & GENERAL	FUNDRAISING	TOTAL SUPPORTING SERVICES	TOTAL EXPENSES	TOTAL EXPENSES
Salaries & Wages	\$ 137,032	\$ 138,375	\$ 275,407	\$ 497,450	\$ 466,241
Payroll Taxes	11,637	13,226	24,863	43,852	40,489
Benefits (Note 13)	46,496	44,171	90,667	163,712	135,303
Advertising & Promotion	1,188	76,620	77,808	82,787	92,256
In-Kind Expenses	7,010	82,406	89,416	131,898	83,706
Event Expense	-	40,509	40,509	40,509	74,478
Professional Services	16,170	12,958	29,128	64,856	60,604
Utilities	1,985	5,395	7,380	56,415	54,563
Occupancy (Note 7 and 14)	-	30,225	30,225	51,225	47,900
Office Expenses	18,846	8,134	26,980	34,139	38,020
Repairs & Maintenance (Note 14)	2,557	-	2,557	29,358	29,596
Patient Support	-	571	571	28,413	27,379
Resident Supplies	-	-	-	16,329	20,126
Investment Expenses	-	13,486	13,486	13,486	17,127
Insurance	6,197	-	6,197	20,347	16,782
Postage & Shipping	3,840	5,602	9,442	13,841	13,163
Printing & Publications	1,908	5,806	7,714	10,777	12,433
Travel & Mileage	724	2,592	3,316	6,939	9,821
Staff & Donor Recognition	3,491	1,385	4,876	6,144	6,435
Conferences & Meetings	1,460	843	2,303	3,596	4,266
Assistance to Beneficiary	-	-	-	2,199	4,240
Board Expenses	3,009	952	3,961	3,961	3,921
Training & Development	377	2,175	2,552	2,552	2,681
Supplies	-	2,678	2,678	2,678	2,626
Cost of Sales	-	2,152	2,152	2,152	2,198
Interest Expense	-	-	-	663	2,082
Loss on Asset Disposition	-	-	-	-	1,092
Bad Debt Expenses	1,125	1,870	2,995	3,628	792
Expenses Before Depreciation	<u>265,052</u>	<u>492,131</u>	<u>757,183</u>	<u>1,333,906</u>	<u>1,270,320</u>
Depreciation Expense (Note 4)	-	2,157	2,157	74,762	71,483
Total Expenses	<u>\$ 265,052</u>	<u>\$ 494,288</u>	<u>\$ 759,340</u>	<u>\$ 1,408,668</u>	<u>\$ 1,341,803</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, 2009
WITH COMPARATIVE TOTALS AS OF JUNE 30, 2008

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from vehicle donation program	\$ 637,257	\$ 616,395
Cash received from rental fees	238,412	260,857
Cash received from grantors	262,691	228,775
Proceeds from fundraising event	91,176	126,097
Cash received from investments	45,001	83,936
Cash received from contributions and support	113,929	69,739
Cash received from interest income	1,287	3,182
Cash received from other income sources	3,868	3,120
Cash paid for interest	(664)	(2,082)
Cash paid to and on behalf of employees	(709,202)	(642,309)
Cash paid for operating expenses	<u>(629,299)</u>	<u>(668,486)</u>
Net cash provided by operating activities	<u>54,456</u>	<u>79,224</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from the sale of investments	66,579	782,145
Investment in Endowment	-	(25,000)
Cash paid for investment in equipment	(120,812)	(34,379)
Cash paid for construction in progress	(62,796)	-
Reinvestment of dividends and realized gains	(44,487)	(83,702)
Sale proceeds reinvested	-	(700,632)
Net cash provided by investing activities	<u>(161,516)</u>	<u>(61,568)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on debt	<u>(18,337)</u>	<u>(12,943)</u>
Net cash provided by financing activities	<u>(18,337)</u>	<u>(12,943)</u>
Net increase (decrease) in cash and cash equivalents	(125,397)	4,713
Cash and cash equivalents at beginning of year	<u>448,270</u>	<u>443,557</u>
Cash and cash equivalents at end of year	<u>\$ 322,873</u>	<u>\$ 448,270</u>
RECONCILIATION OF INCREASE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Increase in Net Assets	\$ (416,853)	\$ (25,235)
Adjustments to reconcile increases in net assets to cash provided by operating activities:		
Depreciation	74,762	71,483
Unrealized loss on investments	319,788	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	(11)	8,136
(Increase) Decrease in Prepaid Expenses	(4,729)	5,572
(Increase) Decrease in Foundation Receivable	(762)	440
(Increase) Decrease in Interest Receivable	594	(583)
(Increase) Decrease in Other Receivable	1,128	(1,042)
(Increase)Decrease in Contribution Receivable	(680)	(5,203)
(Increase) Decrease in Inventory	16,938	(26,794)
(Increase)Decrease in Grant Receivable	24,036	(33,875)
(Increase)Decrease in Technology Vouchers	7,000	-
Increases (Decreases) in operating liabilities:		
Increase (Decrease) in Deposits	2,384	190
Increase (Decrease) in Accrued Wages & Benefits	(4,186)	(276)
Increase (Decrease) in Accounts Payable	<u>35,047</u>	<u>(10,333)</u>
Net cash provided by operating activities	<u>\$ 54,456</u>	<u>\$ 79,224</u>

**CASA ESPERANZA, INC., AND CASA ESPERANZA ENDOWMENT FOUNDATION, INC.
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

/

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, 2001. 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.

CASA ESPERANZA, INC., AND CASA ESPERANZA ENDOWMENT FOUNDATION, INC.
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

Note 1. Summary of Significant Accounting Policies –continued:

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. 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 with an original maturity of three months or less as cash equivalents. At June 30, 2009, 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.

**CASA ESPERANZA, INC., AND CASA ESPERANZA ENDOWMENT FOUNDATION, INC.
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

Note 1. Summary of Significant Accounting Policies –continued:

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.

G. Fair Values Measured on Recurring Basis

In September 2006, the Financial Accounting Standards Board (“FASB”) issued SFAS 157, Fair Value Measurements. SFAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosure about fair value measurements. As of July 1, 2008, Casa Esperanza Endowment Foundation has adopted SFAS 157.

SFAS 157 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest to unobservable inputs in which little or no market data exists (Level 3 measurements). The three levels of the fair value hierarchy under SFAS 157 are described below.

Basis of Fair Value Measurement

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable either directly or indirectly.

Level 3 – Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

A financial instrument’s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The following tables set forth, by level within the fair value hierarchy, the Endowment’s assets and liabilities at fair value, as of June 30, 2009. As required by SFAS 157, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

The table below represents fair value measurement hierarchy of the assets at fair values as of June 30, 2009:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments	\$ 1,146,744	\$ 1,146,744	\$ -	\$ -
Endowment Fund	17,935	17,935	-	-
Land Held for Sale	<u>20,249</u>	<u>-</u>	<u>20,249</u>	<u>-</u>
Total assets	<u>\$ 1,184,928</u>	<u>\$ 1,164,679</u>	<u>\$ 20,249</u>	<u>\$ -</u>

Fair values for investments and investments held in the Endowment Fund are determined by reference to quoted market prices and other relevant information generated by market transactions. Fair value for the land held for resale is determined by tax assessment appraisals made by local governments.

CASA ESPERANZA, INC., AND CASA ESPERANZA ENDOWMENT FOUNDATION, INC.
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

Note 1. Summary of Significant Accounting Policies –continued:

H. 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.

I. Fixed Assets

Fixed assets are stated at cost. Casa Esperanza, Inc. and Casa Esperanza Endowment Foundation capitalize all acquisitions at cost in excess of \$1,000. 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.

J. 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.

K. 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.

L. 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.

M. 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, 2009**

Note 1. Summary of Significant Accounting Policies –continued:

N. 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, 2009:

	<u>Reconciled Balance</u>
Checking & Savings Accts	\$179,761
Cash on Hand	<u>1,968</u>
Total	<u>\$181,729</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, 2009:

	<u>Reconciled Balance</u>
Checking & Savings Accts	<u>\$141,144</u>
Total	<u>\$141,144</u>

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

Note 3. Grant Receivable

Grant receivables represent the following amounts due to Casa Esperanza, Inc. at June 30, 2009:

United Way of Central NM	<u>50,000</u>
Total	<u>\$50,000</u>

Note 4. Property & Equipment

The components of property and equipment at June 30, 2009 are as follows:

Vehicles	\$ 2,578
Furniture and Fixtures	423,793
Equipment	98,994
Leasehold Improvements	149,789
Buildings	<u>1,337,707</u>
Total property & equipment	2,012,861
Less accumulated depreciation	<u>995,044</u>
Net property & equipment	<u>\$ 1,017,817</u>

Depreciation expense for the year ended June 30, 2009 was \$74,762.

**CASA ESPERANZA, INC., AND CASA ESPERANZA ENDOWMENT FOUNDATION, INC.
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

Note 5. Investments

The Foundation carries investments with readily determinable fair values. Market value at June 30, 2009 is as follows:

Investments:	
Money Market Accounts	37,203
Equity Securities	<u>1,109,541</u>
Total Investments	<u>1,146,744</u>

Investment return is summarized as follows:

Unrealized Loss	(314,022)
Investment Fees	(12,628)
Interest Income & Realized Gains	<u>44,251</u>
Total Investment return	<u>(282,399)</u>
Average Investments	1,314,918
Net Investment Return	(282,399)
Average Return on Investments	(21%)

Note 6. 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 7. 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:

2010	13,409
2011	14,296
2012	15,242
2013	16,251
2014	14,741
Thereafter	<u>40,756</u>
Total Contribution Receivable	<u>\$114,696</u>

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

2010	7,591
2011	6,704
2012	5,758
2013	4,749
2014	3,673
Thereafter	<u>3,829</u>
Total Contribution Receivable	<u>\$32,304</u>

**CASA ESPERANZA, INC., AND CASA ESPERANZA ENDOWMENT FOUNDATION, INC.
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

Note 7. Contributed Use of Property-continued

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

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. 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, 2009 consist of:

Assets restricted under Land Lease	106,272
United Way of Central NM	50,000
Revenue restricted to specific programs	<u>23,704</u>
Total	<u>\$179,976</u>

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

Note 10. Grant Income

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

NM Department of Health	115,000
United Way of New Mexico	50,000
Frost Foundation	15,000
Walmart Foundation	10,000
Hancock Family Foundation	7,500
Albert I. Pierce Foundation	5,000
Attorney General of NM	5,830
UNM Intern & Resident Union Fund	2,825
Staff Designated Grant	1,500
Duke City Civitans	1,000
Other	<u>25,000</u>
Total grant income	<u>\$ 238,655</u>

CASA ESPERANZA, INC., AND CASA ESPERANZA ENDOWMENT FOUNDATION, INC.
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

Note 11. Donated Materials and Services

During the fiscal year ended June 30, 2009, Casa Esperanza, Inc. received \$22,340 in donated professional services, \$17,362 in donated materials and supplies, and \$8,424 in contributed use of property.

During the fiscal year ended June 30, 2009, Casa Esperanza Endowment Foundation received \$38,732 in donated professional services, and 46,498 in donated materials and supplies.

Note 12. Fundraising

Casa Esperanza, Inc. conducted ongoing fundraising appeals and Casa Esperanza Endowment Foundation sponsored the Hope Chest Auction in order to raise awareness for their respective missions, and to persuade potential donors to make contributions and grants to the Corporation and the Foundation. For the year ended June 30, 2009, fund raising expense was \$492,131. Funds raised as a result of these expenses were approximately \$1,456,216. This resulted in a fundraising ratio of 34%, (\$492,131 in expenses divided by \$1,456,216 in related revenue).

Note 13. Retirement Plan

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 contribute between 15% to 21% of eligible employee salary. Retirement expense for the year ended June 30, 2009 totaled \$47,361 and \$27,739 for Casa Esperanza Inc., And Casa Esperanza Endowment Foundation respectively.

Note 14. 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:

Year ended June 30,	
2010	7,572
2011	7,572
2012	<u>5,679</u>
Remaining balance on leases	<u>\$20,823</u>

Casa Esperanza Endowment Fund leases its auto donation lot under an operating lease expiring November 15, 2010. Rental expenses under the operating lease were approximately \$30,225. The future remaining lease payments under these agreements are as follows:

Year ended June 30,	
2010	30,717
2011	<u>12,880</u>
Remaining balance on leases	<u>\$43,597</u>

**CASA ESPERANZA, INC., AND CASA ESPERANZA ENDOWMENT FOUNDATION, INC.
EXIT CONFERENCE
FOR THE YEAR ENDED JUNE 30, 2009**

On an exit conference was held on September 15, 2009 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
Ryan Dobbs	Director
Lia Armstrong	Director
Justine Meehan	Director
Eileen Cook	Executive Director
Mary Loyd	Financial Director
Jessica Clauson	Accountant

Representing the Auditors:

Ollie D. Waters, CPA	Auditor
Veronica Villanueva	Auditor