

CASA ESPERANZA, INC. AND
CASA ESPERANZA ENDOWMENT
FOUNDATION, INC.
Albuquerque, New Mexico

COMBINED FINANCIAL STATEMENTS
June 30, 2011 and 2010

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Independent Auditor's Report

To the Board of Directors of
Casa Esperanza, Inc. and
Casa Esperanza Endowment Foundation, Inc.
Albuquerque, New Mexico

We have audited the accompanying combined statement of financial position of Casa Esperanza, Inc. and Casa Esperanza Endowment Foundation, Inc. (the Organization) (both nonprofit organizations) as of June 30, 2011, and the related combined statements of activities, functional expenses and cash flows for the year then ended. These combined financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these combined financial statements based on our audit. The combined financial statements of the Organization as of June 30, 2010 were audited by Meyners + Company, LLC, which practice was acquired by Clifton Gunderson LLP on January 1, 2011. Meyners + Company's report dated September 24, 2010 expressed an unqualified opinion on those combined financial 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 combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall combined financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2011, 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.

Our audit was made for the purpose of forming an opinion on the basic financial statements for the year ended June 30, 2011 taken as a whole. The accompanying supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplemental information for the year ended June 30, 2011 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is presented fairly, in all material respects, in relation to the basic financial statements taken as a whole. The supplemental information for the year ended June 30, 2010 was audited by Meyners + Company, LLC, whose report dated September 24, 2010 expressed an unqualified opinion on such information, in all material respects, in relation to the basic financial statements taken as a whole.

Clifton Gunderson LLP

Albuquerque, New Mexico
October 4, 2011

**CASA ESPERANZA, INC. AND
CASA ESPERANZA ENDOWMENT FOUNDATION, INC.
COMBINED STATEMENTS OF FINANCIAL POSITION
June 30, 2011 and 2010**

ASSETS

	2011	2010
CURRENT ASSETS		
Cash - unrestricted	\$ 294,462	\$ 330,537
Cash - restricted	61,213	41,302
Accounts receivable, net of uncollectible receivables	15,205	15,371
Contributions receivable	8,799	6,648
Grants and contracts receivable	25,500	41,694
Inventory	40,275	19,849
Prepaid expenses	10,403	8,765
Total current assets	455,857	464,166
PROPERTY AND EQUIPMENT, NET	974,868	967,804
OTHER ASSETS		
Long-term investments - unrestricted	1,170,361	1,041,195
Long-term investments - restricted	191,273	187,417
Land held for sale	65,249	45,249
Charitable gift annuity	21,366	-
Contributed use of property	300,000	301,025
Other long-term assets	134,239	67,039
Total other assets	1,882,488	1,641,925
TOTAL ASSETS	\$ 3,313,213	\$ 3,073,895

LIABILITIES AND NET ASSETS

	<u>2011</u>	<u>2010</u>
CURRENT LIABILITIES		
Accounts payable	\$ 27,319	\$ 24,773
Accrued wages and benefits	71,513	66,565
Other liabilities	<u>1,015</u>	<u>4,285</u>
Total current liabilities	<u>99,847</u>	<u>95,623</u>
LONG-TERM LIABILITIES		
Charitable gift annuity	21,063	-
Other long-term liabilities	<u>67,200</u>	<u>-</u>
Total long-term liabilities	<u>88,263</u>	<u>-</u>
Total liabilities	<u>188,110</u>	<u>95,623</u>
NET ASSETS		
Unrestricted	2,541,111	2,429,707
Temporarily restricted	415,787	380,360
Permanently restricted	<u>168,205</u>	<u>168,205</u>
Total net assets	<u>3,125,103</u>	<u>2,978,272</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,313,213</u>	<u>\$ 3,073,895</u>

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

**CASA ESPERANZA, INC. AND
CASA ESPERANZA ENDOWMENT FOUNDATION, INC.
COMBINED STATEMENTS OF ACTIVITIES
Year Ended June 30, 2011**

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
REVENUES, GAINS AND PUBLIC SUPPORT				
Vehicle Donation Program	\$ 658,889	\$ -	\$ -	\$ 658,889
Cost of sales	(376,798)	-	-	(376,798)
	<u>282,091</u>	<u>-</u>	<u>-</u>	<u>282,091</u>
Gross profit				
Grants	102,750	58,500	-	161,250
Program income	253,507	569	-	254,076
Contributions and support	118,978	35,279	-	154,257
Event income	116,201	4,494	-	120,695
Interest income	8,234	-	-	8,234
Investment return	232,144	-	-	232,144
Other income	6,577	-	-	6,577
In-kind income	191,608	-	-	191,608
Satisfaction of program restrictions:				
Restrictions satisfied by program payments	63,415	(63,415)	-	-
	<u>1,375,505</u>	<u>35,427</u>	<u>-</u>	<u>1,410,932</u>
Total revenues, gains and public support				
EXPENSES				
Program services	605,641	-	-	605,641
Fundraising	313,592	-	-	313,592
Management and general	258,470	-	-	258,470
	<u>1,177,703</u>	<u>-</u>	<u>-</u>	<u>1,177,703</u>
Total expenses before depreciation				
CHANGE IN NET ASSETS BEFORE DEPRECIATION	197,802	35,427	-	233,229
DEPRECIATION	86,398	-	-	86,398
CHANGE IN NET ASSETS	111,404	35,427	-	146,831
NET ASSETS, BEGINNING OF YEAR	<u>2,429,707</u>	<u>380,360</u>	<u>168,205</u>	<u>2,978,272</u>
NET ASSETS, END OF YEAR	<u>\$ 2,541,111</u>	<u>\$ 415,787</u>	<u>\$ 168,205</u>	<u>\$ 3,125,103</u>

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

**CASA ESPERANZA, INC. AND
CASA ESPERANZA ENDOWMENT FOUNDATION, INC.
COMBINED STATEMENTS OF ACTIVITIES
Year Ended June 30, 2010**

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
REVENUES, GAINS AND PUBLIC SUPPORT				
Vehicle Donation Program	\$ 644,643	\$ -	\$ -	\$ 644,643
Cost of sales	<u>(335,745)</u>	<u>-</u>	<u>-</u>	<u>(335,745)</u>
Gross profit	<u>308,898</u>	<u>-</u>	<u>-</u>	<u>308,898</u>
Grants	3,500	206,083	-	209,583
Program income	233,714	3,135	-	236,849
Contributions and support	85,985	35,235	-	121,220
Event income	80,138	1,788	-	81,926
Interest income	20,646	-	-	20,646
Investment return	127,641	-	-	127,641
Other income	7,899	-	-	7,899
In-kind income	145,439	1,000	-	146,439
Satisfaction of program restrictions:				
Restrictions satisfied by program payments	<u>46,857</u>	<u>(46,857)</u>	<u>-</u>	<u>-</u>
Total revenues, gains and public support	<u>1,060,717</u>	<u>200,384</u>	<u>-</u>	<u>1,261,101</u>
EXPENSES				
Program services	631,707	-	-	631,707
Fundraising	252,489	-	-	252,489
Management and general	<u>290,846</u>	<u>-</u>	<u>-</u>	<u>290,846</u>
Total expenses before depreciation	<u>1,175,042</u>	<u>-</u>	<u>-</u>	<u>1,175,042</u>
CHANGE IN NET ASSETS BEFORE DEPRECIATION				
	(114,325)	200,384	-	86,059
DEPRECIATION				
	<u>75,129</u>	<u>-</u>	<u>-</u>	<u>75,129</u>
CHANGE IN NET ASSETS				
	(189,454)	200,384	-	10,930
NET ASSETS, BEGINNING OF YEAR				
	<u>2,619,161</u>	<u>179,976</u>	<u>168,205</u>	<u>2,967,342</u>
NET ASSETS, END OF YEAR				
	<u>\$ 2,429,707</u>	<u>\$ 380,360</u>	<u>\$ 168,205</u>	<u>\$ 2,978,272</u>

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

**CASA ESPERANZA, INC. AND
CASA ESPERANZA ENDOWMENT FOUNDATION, INC.
COMBINED STATEMENTS OF FUNCTIONAL EXPENSES
Year Ended June 30, 2011**

	Program Services			Supporting Services			
	Nina Bean Patient Navigation & Survivor Services	Patient Lodging	Total Program Services	Fund- Raising	Management and General	Total Supporting Services	Total Functional Expenses
EXPENSES							
Advertising and promotion	\$ 1,805	\$ 2,417	\$ 4,222	\$ 835	\$ 680	\$ 1,515	\$ 5,737
Bad debt expenses	-	790	790	250	-	250	1,040
Benefits	17,656	47,383	65,039	42,113	30,699	72,812	137,851
Board expenses	-	412	412	-	3,293	3,293	3,705
Conferences and meetings	370	809	1,179	689	2,720	3,409	4,588
Fundraising expenses	-	-	-	31,620	226	31,846	31,846
In-kind expenses	8,779	51,439	60,218	63,796	-	63,796	124,014
Insurance	208	14,309	14,517	231	3,094	3,325	17,842
Investments expense	-	13,354	13,354	-	-	-	13,354
Navigation services	25,894	752	26,646	-	-	-	26,646
Occupancy	-	21,000	21,000	-	-	-	21,000
Office expenses	1,068	19,142	20,210	6,285	20,810	27,095	47,305
Other expenses	1,292	1,255	2,547	5	-	5	2,552
Payroll taxes	4,791	14,703	19,494	15,570	16,040	31,610	51,104
Printing and publications	212	2,792	3,004	4,500	4,058	8,558	11,562
Professional services	1,886	46,324	48,210	30	20,868	20,898	69,108
Repairs and maintenance	991	19,004	19,995	87	175	262	20,257
Resident supplies	84	13,260	13,344	-	-	-	13,344
Salaries and wages	62,776	155,935	218,711	142,784	149,892	292,676	511,387
Staff and donor recognition	160	336	496	2,305	3,663	5,968	6,464
Travel and mileage	337	495	832	1,673	609	2,282	3,114
Utilities	1,129	50,292	51,421	819	1,643	2,462	53,883
Expenses before depreciation	129,438	476,203	605,641	313,592	258,470	572,062	1,177,703
DEPRECIATION EXPENSE	<u>964</u>	<u>81,505</u>	<u>82,469</u>	<u>3,206</u>	<u>723</u>	<u>3,929</u>	<u>86,398</u>
TOTAL EXPENSES	<u>\$ 130,402</u>	<u>\$ 557,708</u>	<u>\$ 688,110</u>	<u>\$ 316,798</u>	<u>\$ 259,193</u>	<u>\$ 575,991</u>	<u>\$ 1,264,101</u>

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

**CASA ESPERANZA, INC. AND
CASA ESPERANZA ENDOWMENT FOUNDATION, INC.
COMBINED STATEMENTS OF FUNCTIONAL EXPENSES
Year Ended June 30, 2010**

	<u>Program Services</u>			<u>Supporting Services</u>			
	<u>Nina Bean Patient Navigation & Survivor Services</u>	<u>Patient Lodging</u>	<u>Total Program Services</u>	<u>Fund- Raising</u>	<u>Management and General</u>	<u>Total Supporting Services</u>	<u>Total Functional Expenses</u>
EXPENSES							
Advertising and promotion	\$ 3,750	\$ 4,171	\$ 7,921	\$ 321	\$ 878	\$ 1,199	\$ 9,120
Bad debt expenses	-	389	389	-	-	-	389
Benefits	24,022	34,364	58,386	28,058	25,721	53,779	112,165
Board expenses	-	227	227	-	2,186	2,186	2,413
Conferences and meetings	4,039	219	4,258	1,647	1,346	2,993	7,251
Fundraising expenses	-	-	-	20,452	-	20,452	20,452
In-kind expenses	19,933	33,277	53,210	75,686	12	75,698	128,908
Insurance	-	14,451	14,451	230	2,121	2,351	16,802
Investments expense	-	13,477	13,477	15	188	203	13,680
Navigation services	23,761	3,115	26,876	-	-	-	26,876
Occupancy	-	21,000	21,000	-	-	-	21,000
Office expenses	3,288	25,706	28,994	14,005	27,610	41,615	70,609
Other expenses	451	1,270	1,721	6,301	334	6,635	8,356
Payroll taxes	9,212	13,039	22,251	11,990	13,006	24,996	47,247
Printing and publications	-	583	583	-	-	-	583
Professional services	593	42,891	43,484	18	15,839	15,857	59,341
Repairs and maintenance	20	23,399	23,419	-	-	-	23,419
Resident supplies	704	13,281	13,985	-	-	-	13,985
Salaries and wages	115,060	128,880	243,940	126,410	156,560	282,970	526,910
Staff and donor recognition	12	-	12	2,468	4,172	6,640	6,652
Travel and mileage	3,078	1,367	4,445	2,470	960	3,430	7,875
Utilities	600	48,078	48,678	775	1,556	2,331	51,009
Expenses before depreciation	208,523	423,184	631,707	290,846	252,489	543,335	1,175,042
DEPRECIATION EXPENSE	<u>488</u>	<u>73,416</u>	<u>73,904</u>	<u>284</u>	<u>941</u>	<u>1,225</u>	<u>75,129</u>
TOTAL EXPENSES	<u>\$ 209,011</u>	<u>\$ 496,600</u>	<u>\$ 705,611</u>	<u>\$ 291,130</u>	<u>\$ 253,430</u>	<u>\$ 544,560</u>	<u>\$ 1,250,171</u>

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

**CASA ESPERANZA, INC. AND
CASA ESPERANZA ENDOWMENT FOUNDATION, INC.
COMBINED STATEMENTS OF CASH FLOWS
Years Ended June 30, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 146,831	\$ 10,930
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	86,398	75,129
Change in allowance for doubtful accounts	153	250
(Gain) loss on sale of property and equipment	226	-
Donated land held for sale	(20,000)	(25,000)
Net realized and unrealized gains on investments	(198,888)	(61,290)
Effects of changes in operating assets and liabilities:		
Accounts receivable	13	13,076
Contributions receivable	(2,151)	(276)
Grants and contracts receivable	16,194	10,211
Inventory	(20,426)	30,402
Prepaid expenses	(1,638)	(1,073)
Contributed use of property	1,025	13,411
Cash paid for construction in progress	-	(4,244)
Accounts payable	2,546	(24,550)
Accrued expenses and other liabilities	1,678	31,295
Liabilities under charitable gift annuity	21,063	-
	<u>33,024</u>	<u>68,271</u>
Net cash provided by operating activities		
	<u>33,024</u>	<u>68,271</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(94,788)	(25,116)
Proceeds from sale of property and equipment	1,100	-
Purchase of investments	(37,029)	(24,206)
Proceeds from sale of investments	81,529	-
	<u>(49,188)</u>	<u>(49,322)</u>
Net cash used in investing activities		
	<u>(49,188)</u>	<u>(49,322)</u>
NET(DECREASE) INCREASE IN CASH	(16,164)	18,949
CASH, BEGINNING OF YEAR	<u>371,839</u>	<u>352,890</u>
CASH, END OF YEAR	<u>\$ 355,675</u>	<u>\$ 371,839</u>
NONCASH ACTIVITIES		
Unrealized gains on investments	\$ 110,166	\$ 96,272
Donated goods and services	<u>191,608</u>	<u>146,439</u>
TOTAL NONCASH ACTIVITIES	<u>\$ 301,774</u>	<u>\$ 242,711</u>

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

**CASA ESPERANZA, INC. AND
CASA ESPERANZA ENDOWMENT FOUNDATION, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2011 and 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Definition of Reporting Entity

Casa Esperanza, Inc. (Casa Esperanza), a nonprofit organization, was incorporated in the State of New Mexico on April 9, 1987. The stated mission of Casa Esperanza 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 an Albuquerque health care facility. Casa Esperanza operates and maintains twenty-eight rooms specifically for this purpose.

Casa Esperanza Endowment Foundation, Inc. (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 by assisting it in carrying out its charitable purpose.

The Foundation serves as a support organization for Casa Esperanza. 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.

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

Nina Bean 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 their health care team
- Coordinating translation services
- Interpreting physician instructions
- Locating counseling and mental health providers
- Finding survivors and support groups
- Solving practical problems related to treatment
- Finding legal and financial counseling services
- Professional counseling and confidential consultation regarding mental, emotional or psychological issues related to their diagnosis for individuals and families
- Presentations and discussion groups on a variety of issues related to cancer and cancer treatment
- Ongoing training for Guest Services Team and support staff
- Confidential consultation for Casa Esperanza staff

Funding for these programs is provided by grants from the New Mexico Departments of Health and Human Services, the United Way of Central New Mexico, the Red Rock Foundation, the Frost Foundation, the Masonic Charities, the Walmart Foundation, the Bank of America Sandia Foundation (Woodward), the Hancock Foundation, the Cardinal Health Foundation, UNM Intern & Resident Union Fund, the Albert I. Pierce Foundation, the LANL Foundation, Lovelace Health Systems, Larry Miller Charities, Albuquerque Academy,

**CASA ESPERANZA, INC. AND
CASA ESPERANZA ENDOWMENT FOUNDATION, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2011 and 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Mechdyne Corporation and Casa Esperanza Endowment Foundation, Inc. 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.

Patient Lodging

This program provides low cost lodging to cancer patients and their families. Casa Esperanza, an 18,000 square foot residence, can accommodate 28 families at a time, for both long and short-term stays. Twelve suites (with family living space separate from sleeping areas) and 16 rooms, four of which are fully handicap-accessible, are all fully furnished. Each of the 28 family units has a private phone with voice mail, bathroom and television. Four fully equipped kitchens, a common dining area and a spacious common room encourage personal responsibility, therapeutic interaction and sharing among families.

Casa Esperanza, Inc. and Casa Esperanza Endowment Foundation, Inc. (the Organization) is governed by a Board of Directors, which has 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.

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include the methods and lives used to compute depreciation expense, and the allowance for uncollectible accounts. Actual results could differ from those estimates.

Financial Statement Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*. Under ASC 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows. In accordance with this guidance, all intercompany transactions are eliminated.

Basis of Accounting

The accompanying combined 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.

**CASA ESPERANZA, INC. AND
CASA ESPERANZA ENDOWMENT FOUNDATION, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2011 and 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash

For purposes of the statements of cash flows, the Organization considers all unrestricted and temporarily restricted cash accounts to be unrestricted cash.

Accounts Receivable

Accounts receivable represent the amount billed but uncollected for services provided to cancer patients and their families. The Organization uses the allowance method of accounts receivable valuation. The allowance is based on a five year historical write off average. Balances that are still outstanding and determined to be permanently impaired after management has used reasonable collection efforts are written off, after three months for lodging billed to an insurance carrier and one year if billed to a resident, through a charge to the valuation allowance and a reduction of accounts receivable. As of June 30, 2011 and 2010, the allowance for uncollectible receivables was \$1,321 and \$1,168, respectively.

Contributions Receivable

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Unconditional promises to give are reflected at the present value of estimated future cash flows using a discount rate of the Wall Street Journal prime rate. Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities or expenses, depending on the form of the benefits received. Promises to give are expected to be collected within one year and, therefore, have not been discounted at June 30, 2011. Management believes all amounts are collectible; therefore, no allowance is deemed necessary.

Grants and Contracts Receivable

The State of New Mexico Department of Health enters into an annual contract with the Organization to provide practical assistance and support to cancer patients and their families. Receivable balances represent the amount expended during the grant period but reimbursed by the grantor after year-end. When funds are received in the next year, the receivable will then be reduced. No amounts were over 90 days past due; therefore, no allowance has been recorded.

Inventory

Inventories, which primarily consist of gift and gas cards and donated vehicles for sale, are valued at the lower of cost or market. Cost is determined on the first-in, first-out method.

Property and Equipment

Property and equipment is stated at cost or, if donated, at the estimated fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from 3 to 40 years. The Organization capitalizes all items over \$1,000.

**CASA ESPERANZA, INC. AND
CASA ESPERANZA ENDOWMENT FOUNDATION, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2011 and 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed of

The Organization reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of, if any, are reported at the lower of the carrying amount or the fair value less costs to sell. There was no impairment of long-lived assets at June 30, 2011 and 2010.

Long-term Investments

Investments consist primarily of mutual funds, corporate and government bonds, stocks and exchange traded funds. Investments are reported at their fair values in the combined statements of financial position.

The Organization carries its investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the combined statements of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying combined statements of activities.

Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized. Otherwise such income, gains, and losses are reported as temporarily restricted or permanently restricted.

The Organization operates under an investment policy that is reviewed annually by the investment committee and approved by the Board.

Contribution of Services

Contribution of services is recognized in the financial statements of the Organization only if the services received (a) create or enhance the non-financial assets of the Organization, 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.

**CASA ESPERANZA, INC. AND
CASA ESPERANZA ENDOWMENT FOUNDATION, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2011 and 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Permanently Restricted Net Assets

During the year ended December 31, 2008, FASB issued ASC 958-205, formerly FASB Staff Position 117-1, *Endowments of Not-for-Profit Organizations – Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act and Enhanced Disclosures for All Endowment Funds*, which includes the following financial statement disclosure requirements for the Organization for the year ended June 30, 2011.

Classification of Net Assets – Endowment funds are used to account for investments in which the principal is temporarily or permanently restricted or Board-designated for a specific purpose.

Interpretation of Relevant Law – The Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift 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 permanent restricted net assets: (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effects of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization investment policies.

Revenue Recognition

Contributions and grants 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 combined statements of activities as net assets released from restrictions.

Program income represents room rental income collected from residents and third party payers such as Medicaid and independent insurance companies. Investment income includes investments and interest income from investment funds held in Casa Esperanza Endowment Foundation, Inc. Event income includes fundraising income raised through events such as Art for Hope Auction, Give Hope a Ride car donation program or from fundraising campaigns such

**CASA ESPERANZA, INC. AND
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NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2011 and 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

as Friends Campaign throughout the year. In-kind income includes non-cash donations to the Organization that can be used by the Organization in its charitable mission or can be easily sold. Income from these sources is recognized when earned.

Expense Allocation

The cost of providing the various programs and all other activities has 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.

Advertising Costs

Advertising costs are expensed as incurred. Advertising expense was \$91,129 and \$75,245 for the years ended June 30, 2011 and 2010, respectively. This cost was related to the Organization's Give Hope a Ride Car Program (GHAR) and is included in cost of goods sold in the Statement of Activities for the years ended June 30, 2011 and 2010.

Income Taxes

The Organization is a non-profit corporation and qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (IRC) and is classified as other than a private foundation. As such, their normal activities do not result in any income tax liability. The Organization pays taxes on unrelated business income.

The Organization would recognize accrued interest related to unrecognized tax benefits in interest expense and penalties in operating expenses. There was no such interest or penalties recorded for the years ended June 30, 2011 and 2010.

The Organization files informational tax returns as prescribed by the tax laws of the jurisdictions in which it operates. In the normal course of business, The Organization is subject to examination by federal, state, local and foreign jurisdictions, where applicable. As of June 30, 2011, the tax years that remain subject to examination by the major tax jurisdictions under the statute of limitations are from the year ended June 30, 2008 and forward.

Reclassifications

Certain reclassifications have been made to the 2010 balances to conform with the 2011 presentation.

Subsequent Events

Management evaluated subsequent events through October 4, 2011, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2011, but prior to October 4, 2011, that provided additional evidence about conditions that existed at June 30, 2011 have been recognized in the financial statements for the year ended June 30,

**CASA ESPERANZA, INC. AND
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NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2011 and 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2011. Events or transactions that provided evidence about conditions that did not exist at June 30, 2011, but arose before the financial statements were available to be issued, have not been recognized in the financial statements for the year ended June 30, 2011.

NOTE 2 – FAIR VALUE OF FINANCIAL INSTRUMENTS

In determining fair value, the Organization uses various valuation approaches within the ASC 820 fair value measurement framework. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability. ASC 820 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. ASC 820 defines levels within the hierarchy based on the reliability of inputs as follows:

- Level 1—Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets;
- Level 2—Valuations based on quoted prices for similar assets or liabilities or identical assets or liabilities in less active markets, such as dealer or broker markets; and
- Level 3—Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer or broker-traded transactions.

Mutual funds, corporate and government bonds and stocks traded in active markets are measured at fair value using Level 1 inputs. The fair values are based on quoted market prices at the reporting date. Land held for sale is measured at fair value using Level 2 inputs. Funds at Albuquerque Community Foundation are classified within Level 3 of the valuation hierarchy since underlying investments in the Foundation's funds are not observable.

**CASA ESPERANZA, INC. AND
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NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2011 and 2010**

NOTE 2 – FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The following table presents assets and liabilities measured at fair value by classification within the fair value hierarchy as of June 30, 2011 and 2010:

	Fair Value Measurements Using			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
As of June 30, 2011				
Mutual Funds:				
Bond Funds	\$ 269,350	\$ -	\$ -	\$ 269,350
International Funds	69,805	-	-	69,805
Growth Funds	49,610	-	-	49,610
Appreciation Funds	46,733	-	-	46,733
Stocks	731,484	-	-	731,484
Corporate Bonds	42,101	-	-	42,101
Government Bonds	150,849	-	-	150,849
Land held for sale	-	65,249	-	65,249
Albuquerque Community Foundation Funds	-	-	23,068	23,068
Total assets at fair value	<u>\$1,359,932</u>	<u>\$ 65,249</u>	<u>\$ 23,068</u>	<u>\$1,448,249</u>
Charitable gift annuity	<u>\$ (21,063)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (21,063)</u>
Total liabilities at fair value	<u>\$ (21,063)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (21,063)</u>
As of June 30, 2010				
Mutual Funds:				
Bond Funds	\$ 85,176	\$ -	\$ -	\$ 85,176
Stocks	748,783	-	-	748,783
Corporate Bonds	100,999	-	-	100,999
Government Bonds	274,442	-	-	274,442
Land held for sale	-	45,249	-	45,249
Albuquerque Community Foundation Funds	-	-	19,212	19,212
Total assets at fair value	<u>\$1,209,400</u>	<u>\$ 45,249</u>	<u>\$ 19,212</u>	<u>\$1,273,861</u>

**CASA ESPERANZA, INC. AND
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NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2011 and 2010**

NOTE 2 – FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The following information summarizes the difference between cost and the estimated fair value for investments and liabilities related to the charitable gift annuity.

As of June 30, 2011

	<u>Cost</u>	<u>Estimated Fair Value</u>	<u>Market Value Over (Under) Cost</u>
Mutual Funds:			
Bond Funds	\$ 279,360	\$ 269,350	\$ (10,010)
International Funds	69,271	69,805	534
Growth Funds	41,046	49,610	8,564
Appreciation Funds	40,064	46,733	6,669
Stocks	617,138	731,484	114,346
Corporate Bonds	38,867	42,101	3,234
Government Bonds	152,857	150,849	(2,008)
Land held for sale	65,249	65,249	-
Albuquerque Community Foundation Funds	25,150	23,068	(2,082)
Charitable gift annuity	<u>(21,063)</u>	<u>(21,063)</u>	<u>-</u>
	<u>\$1,307,939</u>	<u>\$1,427,186</u>	<u>\$ 119,247</u>

As of June 30, 2010

	<u>Cost</u>	<u>Estimated Fair Value</u>	<u>Market Value Over (Under) Cost</u>
Mutual Funds:			
Bond Funds	\$ 78,096	\$ 85,176	\$ 7,080
Stocks	755,122	748,783	(6,339)
Corporate Bonds	93,319	100,999	7,680
Government Bonds	267,841	274,442	6,601
Land held for sale	45,249	45,249	-
Albuquerque Community Foundation Funds	25,150	19,212	(5,938)
	<u>\$1,264,776</u>	<u>\$1,273,861</u>	<u>\$ 9,084</u>

**CASA ESPERANZA, INC. AND
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NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2011 and 2010**

NOTE 2 – FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The following is a reconciliation of the beginning and ending balances of assets measured at fair value on a recurring basis using significant unobservable (Level 3) inputs during the years ended June 30, 2011 and 2010.

	<u>2011</u>	<u>2010</u>
Beginning balance	\$ 19,212	\$ 17,935
Contributions	-	-
Grants and distributions	-	-
Dividend income	317	209
Net unrealized gain	3,776	1,285
Investment management fees	<u>(237)</u>	<u>(217)</u>
Ending balance	<u>\$ 23,068</u>	<u>\$ 19,212</u>

Unrealized gains and losses applicable to instruments valued using significant unobservable inputs (Level 3) are included in the combined statements of activities for the years ended June 30, 2011 and 2010.

NOTE 3 – CHARITABLE GIFT ANNUITY

In October of 2010, the Organization was named a remainder beneficiary of a charitable gift annuity. Two income beneficiaries are to receive, first from income and, to the extent that income is insufficient, from principal, a total annuity each year equal to \$1,250, in equal quarterly payments of \$312.50 at the end of each period. The payment amount is calculated as 5.00 percent of the charitable contribution of \$25,000. Upon the death of both beneficiaries, one hundred percent of the remaining principal is to be distributed to the Organization. A non-current asset for the charitable gift annuity has been presented at year-end as fair market value of the trust assets. The \$21,366 combined asset, recorded as investment, and related liabilities in the amount of \$21,063, are shown in the combined statements of financial position as of June 30, 2011.

NOTE 4 - GRANTS AND CONTRACTS RECEIVABLE

Grants and contracts receivable represent the following amounts due to Casa Esperanza at June 30:

	<u>2011</u>	<u>2010</u>
United Way of Central NM	\$ 25,500	\$ 29,867
New Mexico Department of Health	-	10,627
Wells Fargo Bank, N.A.	<u>-</u>	<u>1,200</u>
Total grants and receivables	<u>\$ 25,500</u>	<u>\$ 41,694</u>

**CASA ESPERANZA, INC. AND
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NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2011 and 2010**

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	2011	2010
Building and building improvements	\$ 1,541,389	\$ 1,501,817
Furniture	422,293	422,293
Equipment	159,552	114,656
	2,123,234	2,038,766
Less accumulated depreciation	(1,148,366)	(1,070,962)
Total property and equipment	\$ 974,868	\$ 967,804

Depreciation expense for the years ended June 30, 2011 and 2010 was \$86,398 and \$75,129, respectively.

NOTE 6 - LINE OF CREDIT

In June 2010, the Organization opened an unsecured convenience line of credit with a limit of \$50,000 and an interest rate of Compass Bank Prime plus 1.00 percent. The line of credit remained unused until it was closed during the year ended June 30, 2011.

NOTE 7 - CONTRIBUTED USE OF PROPERTY

The Organization 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. In February 2009, the lease was extended through the year 2057 under the same terms as the original lease. 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 percent over the life of the lease. The amount receivable for the years ended June 30 is as follows:

2012	\$ 1,093
2013	1,166
2014	1,243
2015	1,326
2016	1,414
2017 and thereafter	293,758
Total contribution receivable	\$ 300,000

**CASA ESPERANZA, INC. AND
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NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2011 and 2010**

NOTE 7 - CONTRIBUTED USE OF PROPERTY (CONTINUED)

The amount to be recorded as income for the years ended June 30 is as follows:

2012	\$	19,907
2013		19,834
2014		19,757
2015		19,674
2016		19,586
2017 and thereafter		<u>567,251</u>
Total contribution expected	\$	<u>666,009</u>

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

NOTE 8 - TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at June 30:

	<u>2011</u>	<u>2010</u>
Assets restricted under Land Lease	\$ 300,000	\$ 301,025
United Way of Central NM	25,500	29,867
Wells Fargo Bank	-	1,200
Revenue restricted to specific programs	<u>90,287</u>	<u>48,268</u>
Total	<u>\$ 415,787</u>	<u>\$ 380,360</u>

Permanently restricted net assets consisted of the following at June 30:

	<u>2011</u>	<u>2010</u>
Storr Endowment	\$ 100,000	\$ 100,000
2K2K Endowment	<u>68,205</u>	<u>68,205</u>
Total	<u>\$ 168,205</u>	<u>\$ 168,205</u>

Income generated from these endowment funds is restricted for maintaining the Organization's facility.

**CASA ESPERANZA, INC. AND
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NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2011 and 2010**

NOTE 9 - GRANT INCOME

Grant income represents support received by the Organization from the following funding sources at June 30:

	<u>2011</u>	<u>2010</u>
NM Department of Health	\$ 90,000	\$ 136,800
United Way of Central New Mexico	25,500	29,867
Cardinal Health	10,250	6,000
PNM Foundation	5,000	10,000
Hancock Family Foundation	5,000	6,000
Sandia Foundation	5,000	-
Bank of America	5,000	-
Western Refining	5,000	-
ConocoPhillips Foundation	5,000	-
Other	3,500	17,916
Mechdyne Corporation	<u>2,000</u>	<u>3,000</u>
Total grant income	<u>\$ 161,250</u>	<u>\$ 209,583</u>

NOTE 10 - DONATED MATERIALS AND SERVICES

During the fiscal year ended June 30, 2011, Casa Esperanza received \$6,817 in donated professional services, \$55,812 in donated materials and supplies, and \$19,975 in contributed use of property. Volunteer hours provided were 3,721, which were not valued and recorded as they did not meet the standards. During the fiscal year ended June 30, 2010, Casa Esperanza received \$17,284 in donated professional services, \$37,511 in donated materials and supplies, a \$1,000 in-kind grant and \$7,591 in contributed use of property. Volunteer hours provided were 2,770, which were not valued and recorded as they did not meet the standards.

During the fiscal year ended June 30, 2011, the Foundation received \$14,626 in donated professional services and \$94,378 in donated materials, supplies and vehicles. Volunteer hours provided were approximately 270, which were not valued and recorded as they did not meet the standards. During the fiscal year ended June 30, 2010, the Foundation received \$19,441 in donated professional services and \$63,612 in donated materials and supplies. Volunteer hours provided were approximately 220, which were not valued and recorded as they did not meet the standards.

NOTE 11 - FUNDRAISING

Casa Esperanza conducted ongoing fundraising appeals and the Foundation sponsored the Art for Hope Auction in order to raise awareness for their mission, and to persuade potential donors to make contributions and grants to the Organization. The Foundation also runs the Give Hope a Ride Car Program (GHAR), which generates the great majority of the fundraising expenses.

**CASA ESPERANZA, INC. AND
CASA ESPERANZA ENDOWMENT FOUNDATION, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2011 and 2010**

NOTE 11 – FUNDRAISING (CONTINUED)

For the years ended June 30, 2011 and 2010, the combined fundraising expense before depreciation for both companies was \$313,592 and \$252,489, respectively. Funds raised as a result of these expenses for the years ended June 30, 2011 and 2010 were \$876,494 and \$796,399, respectively. This resulted in a combined fundraising ratio of 36% and 32% (fundraising expense divided by fundraising income) for the years ended June 30, 2011 and 2010.

NOTE 12 - BENEFIT PLANS

The Organization participates 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 the Organization who qualify under applicable participation requirements. Employees are allowed to defer up to the maximum allowed by the Internal Revenue Service. 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 Organization contributes between 12% and 21% of eligible employee salary based on longevity. The first 8% is automatically directed to the retirement plan. The employee can direct the remaining percentage towards retirement, medical or dental insurance premiums, or compensation. The Organization has an employee funded Flex plan available for qualifying medical and childcare expenses under Section 125 requirements. Retirement expense for Casa Esperanza for the years ended June 30, 2011 and 2010 totaled \$22,255 and \$24,725, respectively. Retirement expense for the Foundation for the years ended June 30, 2011 and 2010 totaled \$16,506 and \$15,231, respectively.

NOTE 13 - OPERATING LEASES

Casa Esperanza leases a digital copier under an operating lease expiring in July 2015. Rental expenses for the years ended June 30, 2011 and 2010 under the operating lease were approximately \$10,600 and \$10,800, respectively. The future remaining lease payments under this agreement are as follows for the years ended June 30:

2012	\$	11,550
2013		11,550
2014		10,801
2015		<u>10,435</u>
Remaining balance on lease	\$	<u>44,336</u>

The Foundation leases its auto donation lot under an operating lease. The previous lease expired November 15, 2010 and rental expenses for the year ended June 30, 2010 under this lease were approximately \$30,700. In September 2010, the Organization began leasing a larger car lot next door to the previous lot. The expansion of the lot resulted in an increase in annual rent expense by \$30,000. Rental expenses for the year ended June 30, 2011 under these leases were approximately \$55,000.

**CASA ESPERANZA, INC. AND
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NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2011 and 2010**

NOTE 13 - OPERATING LEASES (CONTINUED)

The future remaining lease payments under these agreements are as follows for the years ended June 30:

2012	\$ 60,000
2013	60,000
2014	<u>10,000</u>
Remaining balance on lease	<u>\$ 130,000</u>

NOTE 14 – CONCENTRATION OF CREDIT RISK

The Organization maintains cash depository accounts with various financial institutions. These deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Balances in these accounts may at times exceed the federally insured amount. The Organization did not have deposits in excess of the insured amounts at year-end. The Organization has not experienced, and its management believes it is not exposed to, significant credit risk from excess deposits.

This information is an integral part of the accompanying combined financial statements.

SUPPLEMENTARY INFORMATION

**CASA ESPERANZA, INC. AND
CASA ESPERANZA ENDOWMENT FOUNDATION, INC.
COMBINING STATEMENTS OF FINANCIAL POSITION
June 30, 2011**

ASSETS

	<u>CASA ESPERANZA</u>	<u>FOUNDATION</u>	<u>ELIMINATION</u>	<u>COMBINED</u>
CURRENT ASSETS				
Cash - unrestricted	\$ 173,455	\$ 121,007	\$ -	\$ 294,462
Cash - restricted	58,410	2,803	-	61,213
Accounts receivable, net of uncollectible receivables	15,205	-	-	15,205
Contributions receivable	5,238	3,561	-	8,799
Grants and contracts receivable	25,500	-	-	25,500
Inventory	3,000	37,275	-	40,275
Prepaid expenses	4,254	6,149	-	10,403
	<u>285,062</u>	<u>170,795</u>	<u>-</u>	<u>455,857</u>
Total current assets				
PROPERTY AND EQUIPMENT, NET	<u>959,272</u>	<u>15,596</u>	<u>-</u>	<u>974,868</u>
OTHER ASSETS				
Long-term investments - unrestricted	-	1,170,361	-	1,170,361
Long-term investments - restricted	-	191,273	-	191,273
Land held for sale	-	65,249	-	65,249
Charitable gift annuity	-	21,366	-	21,366
Contributed use of property	300,000	-	-	300,000
Other long-term assets	134,239	-	-	134,239
	<u>434,239</u>	<u>1,448,249</u>	<u>-</u>	<u>1,882,488</u>
Total other assets				
TOTAL ASSETS	<u>\$ 1,678,573</u>	<u>\$ 1,634,640</u>	<u>\$ -</u>	<u>\$ 3,313,213</u>

**CASA ESPERANZA, INC. AND
CASA ESPERANZA ENDOWMENT FOUNDATION, INC.
COMBINING STATEMENTS OF FINANCIAL POSITION
June 30, 2011**

LIABILITIES AND NET ASSETS

	CASA ESPERANZA	FOUNDATION	ELIMINATION	COMBINED
CURRENT LIABILITIES				
Accounts payable	\$ 11,350	\$ 15,969	\$ -	\$ 27,319
Accrued wages and benefits	43,511	28,002	-	71,513
Other liabilities	1,015	-	-	1,015
Total current liabilities	55,876	43,971	-	99,847
LONG-TERM LIABILITIES				
Charitable gift annuity	-	21,063	-	21,063
Other long-term liabilities	67,200	-	-	67,200
Total long-term liabilities	67,200	21,063	-	88,263
Total liabilities	123,076	65,034	-	188,110
NET ASSETS				
Unrestricted	1,142,508	1,398,603	-	2,541,111
Temporarily restricted	412,989	2,798	-	415,787
Permanently restricted	-	168,205	-	168,205
Total net assets	1,555,497	1,569,606	-	3,125,103
TOTAL LIABILITIES AND NET ASSETS	\$ 1,678,573	\$ 1,634,640	\$ -	\$ 3,313,213

**CASA ESPERANZA, INC. AND
CASA ESPERANZA ENDOWMENT FOUNDATION, INC.
COMBINING STATEMENTS OF FINANCIAL POSITION
June 30, 2010**

	ASSETS			
	CASA			
	ESPERANZA	FOUNDATION	ELIMINATION	COMBINED
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
CURRENT ASSETS				
Cash - unrestricted	\$ 229,982	\$ 100,555	\$ -	\$ 330,537
Cash - restricted	41,302	-	-	41,302
Accounts receivable, net of uncollectible receivables	12,268	3,103	-	15,371
Contributions receivable	5,210	1,438	-	6,648
Grants and contracts receivable	41,694	-	-	41,694
Inventory	3,149	16,700	-	19,849
Prepaid expenses	3,429	5,336	-	8,765
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total current assets	337,034	127,132	-	464,166
PROPERTY AND EQUIPMENT, NET	<u>963,504</u>	<u>4,300</u>	<u>-</u>	<u>967,804</u>
OTHER ASSETS				
Long-term investments - unrestricted	-	1,041,195	-	1,041,195
Long-term investments - restricted	-	187,417	-	187,417
Land held for sale	-	45,249	-	45,249
Contributed use of property	301,025	-	-	301,025
Other long-term assets	67,039	-	-	67,039
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total other assets	368,064	1,273,861	-	1,641,925
TOTAL ASSETS	<u>\$ 1,668,602</u>	<u>\$ 1,405,293</u>	<u>\$ -</u>	<u>\$ 3,073,895</u>

**CASA ESPERANZA, INC. AND
CASA ESPERANZA ENDOWMENT FOUNDATION, INC.
COMBINING STATEMENTS OF FINANCIAL POSITION
June 30, 2010**

LIABILITIES AND NET ASSETS

	<u>CASA ESPERANZA</u>	<u>FOUNDATION</u>	<u>ELIMINATION</u>	<u>COMBINED</u>
CURRENT LIABILITIES				
Accounts payable	\$ 11,326	\$ 13,447	\$ -	\$ 24,773
Accrued wages and benefits	37,589	28,976	-	66,565
Other liabilities	<u>4,210</u>	<u>75</u>	<u>-</u>	<u>4,285</u>
Total current liabilities	53,125	42,498	-	95,623
Total liabilities	<u>53,125</u>	<u>42,498</u>	<u>-</u>	<u>95,623</u>
NET ASSETS				
Unrestricted	1,237,617	1,192,090	-	2,429,707
Temporarily restricted	377,860	2,500	-	380,360
Permanently restricted	<u>-</u>	<u>168,205</u>	<u>-</u>	<u>168,205</u>
Total net assets	<u>1,615,477</u>	<u>1,362,795</u>	<u>-</u>	<u>2,978,272</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,668,602</u>	<u>\$ 1,405,293</u>	<u>\$ -</u>	<u>\$ 3,073,895</u>

**CASA ESPERANZA, INC. AND
CASA ESPERANZA ENDOWMENT FOUNDATION, INC.
COMBINING STATEMENTS OF ACTIVITIES
Year Ended June 30, 2011**

	UNRESTRICTED CASA ESPERANZA	TEMPORARILY RESTRICTED CASA ESPERANZA
REVENUES, GAINS AND PUBLIC SUPPORT		
Vehicle Donation Program	\$ -	\$ -
Cost of sales	-	-
	-	-
Gross profit	-	-
Grants	102,750	58,500
Program income	253,507	569
Contributions and support	189,188	35,279
Event income	34,413	3,575
Interest income	344	-
Investment return	-	-
Other income	6,577	-
In-kind income	82,604	-
Satisfaction of program restrictions:		
Restrictions satisfied by program payments	62,794	(62,794)
Total revenues, gains and public support	732,177	35,129
EXPENSES		
Program services	605,641	-
Fundraising	17,381	-
Management and general	121,208	-
Total expenses before depreciation	744,230	-
CHANGE IN NET ASSETS BEFORE DEPRECIATION	(12,053)	35,129
DEPRECIATION	83,056	-
CHANGE IN NET ASSETS	(95,109)	35,129
NET ASSETS, BEGINNING OF YEAR	1,237,617	377,860
NET ASSETS, END OF YEAR	\$ 1,142,508	\$ 412,989

UNRESTRICTED FOUNDATION	TEMPORARILY RESTRICTED FOUNDATION	PERMANENTLY RESTRICTED FOUNDATION	ELIMINATION	COMBINED
\$ 658,889	\$ -	\$ -	\$ -	\$ 658,889
376,798	-	-	-	376,798
<u>282,091</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>282,091</u>
-	-	-	-	161,250
-	-	-	-	254,076
9,981	-	-	(80,191)	154,257
81,788	919	-	-	120,695
7,890	-	-	-	8,234
232,144	-	-	-	232,144
-	-	-	-	6,577
109,004	-	-	-	191,608
<u>621</u>	<u>(621)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>723,519</u>	<u>298</u>	<u>-</u>	<u>(80,191)</u>	<u>1,410,932</u>
-	-	-	-	605,641
376,402	-	-	(80,191)	313,592
<u>137,262</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>258,470</u>
<u>513,664</u>	<u>-</u>	<u>-</u>	<u>(80,191)</u>	<u>1,177,703</u>
209,855	298	-	-	233,229
<u>3,342</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>86,398</u>
206,513	298	-	-	146,831
<u>1,192,090</u>	<u>2,500</u>	<u>168,205</u>	<u>-</u>	<u>2,978,272</u>
<u>\$ 1,398,603</u>	<u>\$ 2,798</u>	<u>\$ 168,205</u>	<u>\$ -</u>	<u>\$ 3,125,103</u>

**CASA ESPERANZA, INC. AND
CASA ESPERANZA ENDOWMENT FOUNDATION, INC.
COMBINING STATEMENTS OF ACTIVITIES
Year Ended June 30, 2010**

	UNRESTRICTED CASA ESPERANZA	TEMPORARILY RESTRICTED CASA ESPERANZA
REVENUES, GAINS AND PUBLIC SUPPORT		
Vehicle Donation Program	\$ -	\$ -
Cost of sales	-	-
Gross profit	-	-
Grants	3,500	206,083
Program income	233,714	3,135
Contributions and support	267,415	34,656
Event income	31,189	1,788
Interest income	307	-
Investment return	-	-
Other income	7,899	-
In-kind income	62,386	1,000
Satisfaction of program restrictions:		
Restrictions satisfied by program payments	45,972	(45,972)
Total revenues, gains and public support	652,382	200,690
EXPENSES		
Program services	631,707	-
Fundraising	128,544	-
Management and general	28,562	-
Total expenses before depreciation	788,813	-
CHANGE IN NET ASSETS BEFORE DEPRECIATION	(136,431)	200,690
DEPRECIATION	74,056	-
CHANGE IN NET ASSETS	(210,487)	200,690
NET ASSETS, BEGINNING OF YEAR	1,448,104	177,170
NET ASSETS, END OF YEAR	\$ 1,237,617	\$ 377,860

UNRESTRICTED FOUNDATION	TEMPORARILY RESTRICTED FOUNDATION	PERMANENTLY RESTRICTED FOUNDATION	ELIMINATION	COMBINED
\$ 644,643	\$ -	\$ -	\$ -	\$ 644,643
335,745	-	-	-	335,745
<u>308,898</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>308,898</u>
-	-	-	-	209,583
-	-	-	-	236,849
23,696	579	-	(205,126)	121,220
48,949	-	-	-	81,926
20,339	-	-	-	20,646
127,641	-	-	-	127,641
-	-	-	-	7,899
83,053	-	-	-	146,439
<u>885</u>	<u>(885)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>613,461</u>	<u>(306)</u>	<u>-</u>	<u>(205,126)</u>	<u>1,261,101</u>
-	-	-	-	631,707
329,071	-	-	(205,126)	252,489
<u>262,284</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>290,846</u>
<u>591,355</u>	<u>-</u>	<u>-</u>	<u>(205,126)</u>	<u>1,175,042</u>
22,106	(306)	-	-	86,059
<u>1,073</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>75,129</u>
21,033	(306)	-	-	10,930
<u>1,171,057</u>	<u>2,806</u>	<u>168,205</u>	<u>-</u>	<u>2,967,342</u>
<u>\$ 1,192,090</u>	<u>\$ 2,500</u>	<u>\$ 168,205</u>	<u>\$ -</u>	<u>\$ 2,978,272</u>