

Financial Report with
Federal Award Supplementary Information



Comprehensive Adult
Student Assessment Systems

June 30, 2022



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**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS AND
THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Board of Directors
CASAS – Comprehensive Adult Student Assessment Systems
San Diego, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of CASAS – Comprehensive Adult Student Assessment Systems (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

Report on Summarized Comparative Information

We have previously audited CASAS – Comprehensive Adult Student Assessment Systems' 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 11, 2021. In our opinion, the summarized comparative information presented herein as of and for the year then ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 17, 2022, on our consideration of CASAS's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of CASAS's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering CASAS's internal control over financial reporting and compliance.

West Rhode & Roberts

WEST RHODE & ROBERTS

CASAS – COMPREHENSIVE ADULT STUDENT ASSESSMENT SYSTEMS

STATEMENT OF FINANCIAL POSITION

June 30, 2022

(With Summarized Financial information for June 30, 2021)

	<u>2022</u>	<u>2021</u> (Note 9)
ASSETS		
Cash and cash equivalents	\$ 1,284,432	\$ 1,161,795
Accounts receivable	1,456,345	1,328,648
Prepaid expenses and other assets	188,957	108,333
Assessment materials inventory	224,307	218,413
Investments	4,341,533	5,064,252
Equipment	777	6,598
Total assets	<u>\$ 7,496,351</u>	<u>\$ 7,888,039</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 1,072,816	\$ 663,234
Deferred revenue	14,338	64,680
Refundable advance	-	756,927
Total liabilities	<u>1,087,154</u>	<u>1,484,841</u>
Commitments (Note 7)		
Net assets:		
Without donor restrictions	<u>6,409,197</u>	<u>6,403,198</u>
Total liabilities and net assets	<u>\$ 7,496,351</u>	<u>\$ 7,888,039</u>

CASAS – COMPREHENSIVE ADULT STUDENT ASSESSMENT SYSTEMS
STATEMENT OF ACTIVITIES
Year Ended June 30, 2022
(With Summarized Financial Information for the Year Ended June 30, 2021)

	2022	2021 (Note 9)
<u>Operating Activities</u>		
Support and revenue		
Contracts and program revenue	\$ 3,542,212	\$ 2,746,631
Assessment materials and service revenue	3,593,523	3,165,710
Contributions	<u>756,927</u>	<u>750,000</u>
Total support and revenue	<u>7,892,662</u>	<u>6,662,341</u>
EXPENSES		
Program development and service	6,955,166	5,943,765
General and administrative	<u>565,107</u>	<u>536,775</u>
Total expenses	<u>7,520,273</u>	<u>6,480,540</u>
Operating revenues and support in excess of expenses	372,389	181,801
<u>Non-operating Activities</u>		
Interest and dividends	95,821	116,234
Realized and unrealized (losses) gains	(517,089)	107,548
Insurance reimbursement	<u>54,878</u>	<u>-</u>
Total non-operating activities	<u>(366,390)</u>	<u>223,782</u>
Change in net assets	5,999	405,583
NET ASSETS AT BEGINNING OF YEAR	<u>6,403,198</u>	<u>5,997,615</u>
NET ASSETS AT END OF YEAR	<u>\$ 6,409,197</u>	<u>\$ 6,403,198</u>

CASAS – COMPREHENSIVE ADULT STUDENT ASSESSMENT SYSTEMS
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2022
(With Summarized Financial Information for the Year Ended June 30, 2021)

	Program		2022 Total	2021 (Note 9)
	Development and Service	General and Administrative		
EXPENSES				
Salaries	\$ 2,055,150	\$ 314,256	\$ 2,369,406	\$ 2,312,430
Payroll taxes & employee benefits	<u>576,875</u>	<u>97,955</u>	<u>674,830</u>	<u>619,380</u>
	2,632,025	412,211	3,044,236	2,931,810
Program development fees	2,152,104		2,152,104	1,824,832
Consulting and contract fees	669,076	20,983	690,059	640,483
Occupancy and equipment	533,923	48,465	582,388	652,739
Travel and conferences	489,989	1,270	491,259	6,954
Cost of assessment materials	309,045	-	309,045	223,562
Supplies and other expenses	94,589	68,963	163,552	99,895
Insurance	38,475	7,329	45,804	39,758
Professional fees	26,013	4,955	30,968	45,621
Depreciation	4,889	931	5,820	9,647
Printing and reproduction	<u>5,038</u>	<u>-</u>	<u>5,038</u>	<u>5,239</u>
Total expenses	<u>\$ 6,955,166</u>	<u>\$ 565,107</u>	<u>\$ 7,520,273</u>	<u>\$ 6,480,540</u>

CASAS – COMPREHENSIVE ADULT STUDENT ASSESSMENT SYSTEMS
STATEMENT OF CASH FLOWS
Year Ended June 30, 2022
(With Summarized Financial Information for the Year Ended June 30, 2021)

	2022	2021 (Note 9)
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 5,999	\$ 405,583
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	5,820	9,647
Realized and unrealized losses (gains) on investments	517,089	(107,548)
Change in operating assets and liabilities:		
Accounts receivable	(127,697)	(584,435)
Assessment materials inventory	(5,893)	60,729
Prepaid expenses	(80,624)	74,502
Accounts payable and accrued expenses	409,582	73,192
Refundable advance	(756,927)	6,927
Deferred revenue	(50,342)	(31,520)
Net cash used in operating activities	<u>(82,993)</u>	<u>(92,923)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net sales (purchases) of investments	<u>240,652</u>	<u>(1,382,078)</u>
Net cash provided by (used in) investing activities	<u>240,652</u>	<u>(1,382,078)</u>
Change in cash and cash equivalents	157,659	(1,475,001)
Cash and cash equivalents at beginning of year	<u>1,220,599</u>	<u>2,695,600</u>
Cash and cash equivalents at end of year	<u>\$ 1,378,258</u>	<u>\$ 1,220,599</u>
Cash and cash equivalents consist of:		
Cash and cash equivalents	\$ 1,284,432	\$ 1,161,795
Cash and cash equivalents included in long-term investments	<u>93,826</u>	<u>58,804</u>
	<u>\$ 1,378,258</u>	<u>\$ 1,220,599</u>

CASAS – COMPREHENSIVE ADULT STUDENT ASSESSMENT SYSTEMS

NOTES TO FINANCIAL STATEMENTS

Note 1. Organization and Significant Accounting Policies

Organization and Activities

CASAS – Comprehensive Adult Student Assessment Systems (CASAS) is a nonprofit organization whose mission is to help adult learners attain the basic literacy skills necessary to function effectively on the job, in the community, in the family, and in postsecondary education and training.

To accomplish its mission, CASAS partners with customers, such as, federal and state education and workforce agencies, local education and workforce training providers, social service programs, business and industry, other organizations, nationally and internationally. CASAS brings to these partnerships its expertise, products and services, including assessment and certification systems linked directly to competencies, content standards, and curriculum resources, database management and reporting tools (including software applications), classroom instructional resources, research, consulting, evaluation, and professional development services. The partners use CASAS' programs, products, and services to provide quality education and training programs that meet the needs of adult learners, document progress and certify learning outcomes, and implement continuous program improvement based on data analysis.

Significant Accounting Policies

Method of Accounting – The financial statements have been prepared using the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation -- Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of CASAS and changes therein are classified and reported as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of CASAS management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of CASAS or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity. At June 30, 2022, CASAS had no net assets with donor restrictions.

Measure of Operations – The statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to CASAS' ongoing programs. Nonoperating activities are limited to resources that generate return from long-term investments and other activities of a nonrecurring nature.

Revenue Recognition – Revenues from cost-reimbursement contracts and grants are recognized as expenditures are incurred. Revenues from fixed-fee service contracts are recognized as contract requirements are met and as services are performed. Sales are recognized as revenue when products are shipped or when services are performed. Expenses related to fixed-fee contracts are deferred until the contract requirements are met.

Shipping and Handling Costs – Shipping and handling charges billed to customers are considered product and service revenue and the related shipping and handling costs as supplies and postage expense.

Contributions – Contributions received are recorded as net assets with or without donor restrictions depending upon the existence and/or nature of any donor restrictions. Support that is restricted by a donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor restricted support is recorded as an increase in net assets with donor restrictions. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are classified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

CASAS – COMPREHENSIVE ADULT STUDENT ASSESSMENT SYSTEMS

NOTES TO FINANCIAL STATEMENTS

Cash and Cash Equivalents – All unrestricted cash accounts that are not subject to withdrawal restrictions or penalties, with initial maturity of three months or less are considered to be cash equivalents.

Investments - Investments are stated at fair value with unrealized gains and losses on investments resulting from fair value fluctuations recorded in the statement of activities in the period that such fluctuations occur. Brokerage accounts and other highly liquid interest earning investments are classified as cash equivalents within investment in securities. Investment transactions are recorded on a trade-date basis. Dividend income is recorded as of the ex-dividend date and interest income is recorded as earned using the accrual basis. Realized gains or losses on the sale of share or unit-based investments are calculated using the average cost.

Accounts Receivable – Accounts receivable is primarily comprised of reimbursements due from contracted services pursuant to contractual agreements. The allowance for doubtful accounts balance represents management's estimate of uncollectible accounts based upon historical information and examination of specific individual accounts. At June 30, 2022, management has estimated an allowance of \$10,000 related to its accounts receivables at year-end.

Prepaid Expenses – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Assessment Material Inventory – Inventory, which consists of educational and assessment materials, is stated at the lower of cost (first-in, first-out method) or market.

Property and Equipment – Equipment, vehicles, furniture, and fixtures are stated at historical cost, if purchased, or at estimated fair value as of the date of receipt if acquired by gift. Maintenance, repairs, and renewals, which neither materially add to the value of the furniture or equipment nor appreciably prolong its life, are charged to expense as incurred. Acquisitions of property and equipment which equals or exceeds \$5,000 are capitalized. Depreciation is calculated on the straight-line method and is based upon estimated useful lives as follows:

Vehicles	5 to 7 years
Furniture and equipment	3 to 10 years

Depreciation expense totaled \$5,820 for the year ended June 30, 2022.

Income Taxes – CASAS, a California not-for-profit corporation, is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and 23701(d) of the State Revenue and Taxation Code. The Financial Accounting Standards Board (FASB) issued Accounting Standards Codification No. 740-10, *Accounting for Uncertainties in Income Taxes*, which sets a minimum threshold for financial statement recognition of the benefit of a tax position taken or expected to be taken in a tax return. CASAS has reviewed its positions for all open tax years and has determined that it has no uncertain tax positions requiring accrual or disclosure.

Refundable Advance – In January 2021 CASAS received its second PPP loan in the amount of \$756,927. The loan was forgiven during the twelve months ended June 30, 2022 and is recorded as a contribution on the Statement of Activities.

Functional Allocation of Expenses – The statement of functional expenses presents expense by function and natural classification. Expenses directly attributable to a specific functional area of CASAS are reported as expenses of those functional areas. A portion of costs that benefit multiple functional areas (indirect costs) have been allocated across programs and supporting services based on the full-time employee equivalents of a programs or supporting service.

Use of Estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates used in preparing these financial statements include those assumed in computing accounts receivable.

CASAS – COMPREHENSIVE ADULT STUDENT ASSESSMENT SYSTEMS
NOTES TO FINANCIAL STATEMENTS

Subsequent Events – Subsequent events are events or transactions that occur after the statement of financial position date but before financial statements are available to be issued. CASAS recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at that date, including the estimates inherent in the process of preparing financial statements. CASAS' financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position, but arose after that date and before the financial statements are available to be issued.

CASAS has evaluated subsequent events through October 17, 2022, which is the date the financial statements are available for issuance, and concluded that no events need to be disclosed.

Note 2. Liquidity and Availability of Resources

CASAS' financial assets available for general expenditure, that is without donor restrictions limiting their use within one year of the statement of financial position date, are as follows:

Financial assets	
Cash and cash equivalents	\$ 1,284,432
Investments	4,341,533
Accounts receivable	<u>1,456,345</u>
Total financial assets available to management for general expenditure within one year	<u>\$ 7,082,310</u>

CASAS maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Note 3. Investments and Fair Value Measurements

Fair value is defined as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. CASAS uses a fair value hierarchy that to maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that observable inputs be used when available.

The hierarchy for fair value measurement are described as follows:

- Level 1 - quoted prices for identical assets or liabilities in active markets as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 - observable market-based inputs or unobservable inputs that are corroborated by market data. May include quoted prices in a market that is not active.
- Level 3 - unobservable inputs that cannot be corroborated by market data. These inputs reflect management's best estimate of fair value using its own assumptions about the assumptions a market participant would use in pricing the asset or liability.

The following are descriptions of the valuation inputs and techniques that CASAS utilizes to determine fair value for each major category of assets and liabilities.

Due to the short-term nature of cash equivalents, other assets, accounts payable and accrued expenses, carrying value approximates fair value.

CASAS – COMPREHENSIVE ADULT STUDENT ASSESSMENT SYSTEMS
 NOTES TO FINANCIAL STATEMENTS

CASAS's statement of financial position includes investments which have been considered Level 1 assets and are reported at fair value based on quoted prices in active markets for identical assets at the measurement date.

The following table summarizes CASAS's investments by type, including placement in the fair value hierarchy of assets and liabilities that are measured at fair value on a recurring basis:

	Fair Value Measurements at June 30, 2022, Using:			
	Total	Level 1	Level 2	Level 3
Investments				
Mutual funds	\$ 2,584,492	\$ 2,584,492	\$ -	\$ -
Certificates of deposits	997,833	997,833	-	-
Stocks and exchange traded funds	665,382	665,382	-	-
Cash and cash equivalents	93,826	93,826	-	-
Investments	<u>\$ 4,341,533</u>	<u>\$ 4,341,533</u>	<u>\$ -</u>	<u>\$ -</u>

Management of CASAS is responsible for making the fair value measurements and disclosures in the consolidated financial statements. As part of fulfilling this responsibility, management of CASAS utilizes and relies on the values, valuations, and assumptions and has established an accounting and financial reporting process for determining the fair value measurements and disclosures. This process identifies and adequately supports the valuation methods and assumptions used and ensures that the presentation of the fair value measurements is in accordance with U.S. GAAP.

Investment income at June 30, 2022 is made up of \$123,685 in interest and dividends, \$517,089 in realized and unrealized losses and \$27,864 in investment management fees.

Note 4. Equipment

Equipment consist of the following on June 30, 2022:

Equipment	\$ 217,974
Furniture and fixtures	21,037
	<u>239,011</u>
Accumulated depreciation	<u>(238,234)</u>
	<u>\$ 777</u>

Note 5. Accounts Receivable

Accounts receivable consist of the following on June 30, 2022:

Programs and products receivables	\$ 1,466,345
Less allowance for doubtful accounts	<u>(10,000)</u>
	<u>\$ 1,456,345</u>

CASAS – COMPREHENSIVE ADULT STUDENT ASSESSMENT SYSTEMS
NOTES TO FINANCIAL STATEMENTS

Note 6. Commitments and Contingencies

Operating Leases – CASAS leases certain facilities and equipment under non-cancelable operating leases, which expire at various times through April 2027. Rent expense under these leases was approximately \$314,702 for the year ended June 30, 2022.

Future minimum lease payments required under the operating leases are as follows:

<u>Years Ending June 30:</u>	
2023	\$ 115,423
2024	19,257
2025	14,408
2026	4,068
2027	3,390
	<u>\$ 156,546</u>

Note 7. Employee Benefit Plans

CASAS established a defined contribution plan under Section 403(b) of the Internal Revenue Code, which became effective as of July 1, 2008. Participation in the plan is limited to employees who have completed one year and 1,000 hours of service. Employer contributions are discretionary and are calculated at 3% of each employee’s base compensation. The employer contribution for 2022 was approximately \$102,000.

Participants hired on or before July 1, 2008, shall be fully vested immediately upon entry into the plan. The vested employer contribution portion of any participant hired after July 1, 2008, shall be a percentage of the total amount credited to the participant’s account determined on the basis of the participant’s number of years of service. The participants vest at a rate of 20% per year and are fully vested after five years.

CASAS has a salary reduction plan, which became effective as of July 1, 2008, to which the employees make pretax contributions. The plan does not provide for any contribution from CASAS and, accordingly, employee benefit expense for this plan has not been recorded.

Note 8. Concentrations, Risks and Uncertainties

Concentration of Credit Risk - CASAS maintains cash balances at two financial institutions. Accounts at the institutions are secured by the Federal Deposit Insurance Corporation. At times, balances may exceed federally insured limits. There have been no losses in such accounts. Management believes that the organization is not exposed to any significant credit risk with respect to its cash.

Concentration of Revenue – In 2022, two governmental agencies accounted for approximately \$2,331,000 and \$1,036,000 of revenues, which represents approximately 33% and 20% of CASAS’ total revenues. At June 30, 2022, receivables for these customers amounted to approximately \$746,000 and \$282,000. In the event funding is significantly decreased, CASAS’ operations would be greatly impacted.

Concentration of Expenses – In 2022, one major supplier accounted for approximately \$945,000, which represents approximately 13% of CASAS’ total expenses. At June 30, 2022, the amount payable to this supplier amounted to approximately \$43,000.

CASAS – COMPREHENSIVE ADULT STUDENT ASSESSMENT SYSTEMS NOTES TO FINANCIAL STATEMENTS

Covid-19 Risk - In 2020, the COVID-19 virus was declared a global pandemic. Business continuity, including supply chains and consumer demand across a broad range of industries and countries could be severely impacted for months or beyond as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. The ultimate disruption which may be caused by the pandemic is uncertain; however, it has not resulted in a material adverse impact on the CASAS' financial position, operations, and cash flows, such disruptions or restrictions may occur in the future. Possible effects may include but are not limited to disruptions or restrictions on our employee's ability to work, decline in value of assets held, including property and equipment and marketable securities and changes to the current regulatory environment. Management is actively working to mitigate the impact of these and other unforeseen potential disruptions to operations.

Note 9. June 30, 2021 Financial Information

The prior year summarized financial information is for comparative purposes only. The prior year information is presented in the financial statements in total, but not by asset class as required by accounting principles generally accepted in the United States. The summarized financial information was derived from the CASAS' June 30, 2021 financial statements. Accordingly, the summarized information should be read in conjunction with the CASAS' complete financial statements for the year ended June 30, 2021.

SUPPLEMENTARY INFORMATION

CASAS – COMPREHENSIVE ADULT STUDENT ASSESSMENT SYSTEMS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2022

Federal Grantor	Program Title	Federal CFDA Number	Grant Number	Federal Expenditures
U.S. Department of Education				
Pass-through Programs				
California Department of Education	Adult Education - Basic Grants to States	84.002	CN190072	\$ 2,367,309
New York State Education Department	Adult Education - Basic Grants to States	84.002	C014069	<u>298,581</u>
Total expenditures of federal awards				<u>\$ 2,665,890</u>

Note A. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) summarizes the expenditures of CASAS under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Because the Schedule presents only a selected portion of the operation of CASAS, it is not intended to and does not present the financial position, changes in net assets and cash flows of CASAS.

Note B. Basis of Accounting

This Schedule is prepared on the same basis of accounting as CASAS financial statements. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursements.

Note C. Relationship of Schedule of Expenditures of Federal Awards to Financial Statements

Consistent with management's policy, federal awards are recorded in various revenue categories. As a result, the amount of total federal awards on the Schedule does not agree to the total grant revenue on the Statement of Activities.

Note D. Indirect Cost Rate

CASAS did not elect to use the 10% de minimis cost rate as allowed under the uniform guidance.



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
CASAS – Comprehensive Adult Student Assessment Systems
San Diego, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of CASAS – Comprehensive Adult Student Assessment Systems (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 17, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered CASAS – Comprehensive Adult Student Assessment Systems' (CASAS) internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of CASAS' internal control. Accordingly, we do not express an opinion on the effectiveness of CASAS' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.


Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether CASAS' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of CASAS' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "West Rhode & Roberts". The script is cursive and elegant, with the ampersand being a simple cross.

WEST RHODE & ROBERTS

San Diego, California
October 17, 2022



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
CASAS – Comprehensive Adult Student Assessment Systems
San Diego, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited CASAS – Comprehensive Adult Student Assessment Systems' (CASAS) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of CASAS' major federal programs for the year ended June 30, 2022. CASAS' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, CASAS complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of CASAS and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of CASAS's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to CASAS's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on CASAS's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about CASAS's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding CASAS's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of CASAS's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of CASAS's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

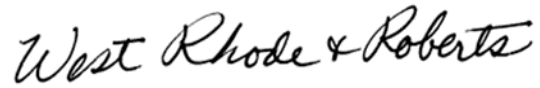
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Board of Directors
CASAS – Comprehensive Adult Student Assessment Systems

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "West Rhode & Roberts". The script is cursive and elegant, with the ampersand being particularly stylized.

WEST RHODE & ROBERTS

San Diego, California
October 17, 2022

CASAS – COMPREHENSIVE ADULT STUDENT ASSESSMENT SYSTEMS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2022

A. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant control deficiency(ies) identified that are not considered to be material weakness(es)? Yes None reported
- Non-compliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness (es) identified? Yes No
- Significant control deficiency(ies) identified that are not considered to be material weakness(es)? Yes None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2CFR Section 200.516(a)? Yes No

Identification of Major Programs

CFDA Numbers _____

Name of Federal Programs or Cluster

Department of Education
84.002

Adult Education – Basic Grants to States

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes No

CASAS – COMPREHENSIVE ADULT STUDENT ASSESSMENT SYSTEMS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)

Year Ended June 30, 2022

B. Findings – Financial Statements Audit

No reportable findings were noted during the June 30, 2022, financial statement audit.

C. Finding and Questioned Costs – Major Federal Award Programs Audit

No reportable findings were noted during the June 30, 2022, audit of CASAS' major federal awards.

D. Prior Year Findings and Questioned Costs

No reportable findings were noted during the June 30, 2021, financial statement audit.