

CASA, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
CASA, Inc.:

We have audited the accompanying statement of financial position of CASA, Inc. (a nonprofit organization) as of June 30, 2005, and the related statements of activities and changes in net assets, cash flows and functional expenses for the year then ended. These financial statements are the responsibility of management of CASA, Inc. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of CASA, Inc. as of June 30, 2004 and for the year then ended were audited by other auditors whose report dated December 8, 2004, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2005 financial statements referred to above present fairly, in all material respects, the financial position of CASA, Inc. as of June 30, 2005, and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Mullins Clemmons & Mayes, PLLC

Brentwood, Tennessee
September 16, 2005

CASA, INC.**STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2005 AND 2004**

	2005	2004
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 242,495	\$ 222,921
Unconditional promises to give, net	139,696	167,088
Prepaid expenses and other current assets	4,755	3,894
Total current assets	<u>386,946</u>	<u>393,903</u>
PROPERTY, PLANT AND EQUIPMENT, net	<u>348,828</u>	<u>368,559</u>
OTHER ASSETS:		
Long-term unconditional promises to give, net	64,362	70,000
Beneficial interest in agency (functional) endowment fund held by Community Foundation of Middle Tennessee	6,562	6,058
Total other assets	<u>70,924</u>	<u>76,058</u>
TOTAL ASSETS	<u>\$ 806,698</u>	<u>\$ 838,520</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	\$ 13,699	\$ 1,518
Current maturities of long-term debt	56,000	56,000
Total current liabilities	<u>69,699</u>	<u>57,518</u>
LONG-TERM DEBT	<u>168,000</u>	<u>174,000</u>
NET ASSETS:		
Unrestricted:		
Designated for beneficial interest in agency (functional) endowment fund	6,562	6,058
Undesignated	326,349	296,357
Total unrestricted	<u>332,911</u>	<u>302,415</u>
Temporarily restricted	236,088	304,587
Total net assets	<u>568,999</u>	<u>607,002</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 806,698</u>	<u>\$ 838,520</u>

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

CASA, INC.**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2005**

	Unrestricted	Temporarily Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT:			
Contributions	\$ 230,478	\$ 165,408	\$ 395,886
Grants	16,463	-	16,463
Special events	69,610	-	69,610
Net investment return	3,182	-	3,182
Change in value of beneficial interest in agency (functional) endowment fund held by Community Foundation of Middle Tennessee	504	-	504
Miscellaneous income	537	-	537
Total	320,774	165,408	486,182
Net assets released from restrictions	233,907	(233,907)	-
Total revenues, gains and other support	554,681	(68,499)	486,182
EXPENSES:			
Program services	379,343	-	379,343
Fundraising	80,517	-	80,517
Management and general	64,325	-	64,325
Total expenses	524,185	-	524,185
CHANGE IN NET ASSETS	30,496	(68,499)	(38,003)
NET ASSETS:			
Beginning of year	302,415	304,587	607,002
End of year	\$ 332,911	\$ 236,088	\$ 568,999

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

CASA, INC.**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2004**

	Unrestricted	Temporarily Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT:			
Contributions	\$ 295,504	\$ 304,587	\$ 600,091
Grants	38,000	-	38,000
In-kind contributions	16,800	-	16,800
Special events	100,564	-	100,564
Net investment return	1,256	-	1,256
Change in value of beneficial interest in agency (functional) endowment fund held by Community Foundation of Middle Tennessee	883	-	883
Miscellaneous income	622	-	622
Total	<u>453,629</u>	<u>304,587</u>	<u>758,216</u>
Net assets released from restrictions	<u>152,063</u>	<u>(152,063)</u>	<u>-</u>
Total revenues, gains and other support	<u>605,692</u>	<u>152,524</u>	<u>758,216</u>
EXPENSES:			
Program services	390,200	-	390,200
Fundraising	95,539	-	95,539
Management and general	58,079	-	58,079
Total expenses	<u>543,818</u>	<u>-</u>	<u>543,818</u>
CHANGE IN NET ASSETS	61,874	152,524	214,398
NET ASSETS:			
Beginning of year	<u>240,541</u>	<u>152,063</u>	<u>392,604</u>
End of year	<u>\$ 302,415</u>	<u>\$ 304,587</u>	<u>\$ 607,002</u>

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

CASA, INC.**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004**

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (38,003)	\$ 214,398
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	18,920	12,837
Loss on disposal of property, plant and equipment	811	-
Discount on unconditional promises to give	5,208	-
Change in value of beneficial interest in agency (functional) endowment fund	(504)	(883)
Net changes in operating assets and liabilities:		
Unconditional promises to give	27,822	(113,775)
Prepaid expenses and other assets	(861)	(3,132)
Accounts payable and accrued liabilities	12,181	809
Net cash provided by operating activities	<u>25,574</u>	<u>110,254</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant, and equipment	-	(362,994)
Net cash used in investing activities	<u>-</u>	<u>(362,994)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from long-term borrowings	-	230,000
Payments on long-term borrowings	(6,000)	-
Net cash provided by (used in) financing activities	<u>(6,000)</u>	<u>230,000</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	19,574	(22,740)
CASH AND CASH EQUIVALENTS:		
Beginning of year	<u>222,921</u>	<u>245,661</u>
End of year	<u>\$ 242,495</u>	<u>\$ 222,921</u>

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

CASA, INC.**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2005**

	Program Services	Fundraising	Management and General	Total
Salaries and employee benefits	\$ 283,803	\$ 45,411	\$ 42,565	\$ 371,779
Professional and temporary services	3,323	696	8,621	12,640
Insurance expense	8,028	981	802	9,811
Supplies	5,105	790	490	6,385
Meetings expense	443	462	82	987
Communication	17,936	3,197	1,913	23,046
Community awareness/education	-	-	180	180
Special events	-	17,008	-	17,008
Occupancy costs	6,999	888	1,331	9,218
Equipment expense	2,903	799	327	4,029
Travel	533	425	472	1,430
Professional development and training	4,331	880	1,365	6,576
Board development	676	23	319	1,018
Volunteer development	11,669	-	-	11,669
Dues and subscriptions	3,097	283	64	3,444
Fees	582	155	1,070	1,807
State and local taxes	2,753	379	310	3,442
Interest	4,727	3,274	1,472	9,473
Miscellaneous expense	722	-	-	722
Repairs	5,828	777	1,166	7,771
Campaign expenses	100	1,919	-	2,019
Loss on disposal of fixed assets	649	89	73	811
Total expenses before depreciation	364,207	78,436	62,622	505,265
Depreciation	15,136	2,081	1,703	18,920
Total expenses	<u>\$ 379,343</u>	<u>\$ 80,517</u>	<u>\$ 64,325</u>	<u>\$ 524,185</u>

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

CASA, INC.**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2004**

	Program Services	Fundraising	Management and General	Total
Salaries and employee benefits	\$ 290,457	\$ 43,441	\$ 32,148	\$ 366,046
Professional and temporary services	2,677	323	9,509	12,509
Insurance expense	5,353	736	1,775	7,864
Supplies	3,651	1,070	595	5,316
Meetings expense	370	156	296	822
Communication	16,539	7,824	631	24,994
Community awareness/education	821	-	50	871
Special events	-	36,006	-	36,006
Repairs and maintenance	31,494	1,769	2,123	35,386
Travel	155	293	623	1,071
Professional development and training	5,644	210	454	6,308
Board development	423	-	417	840
Volunteer development	9,093	70	-	9,163
Dues and subscriptions	1,595	386	1,107	3,088
Fees	-	-	3,546	3,546
Interest	-	-	801	801
Miscellaneous expense	(374)	-	(76)	(450)
Rent	12,675	1,650	2,475	16,800
Total expenses before depreciation	380,573	93,934	56,474	530,981
Depreciation	9,627	1,605	1,605	12,837
Total expenses	<u>\$ 390,200</u>	<u>\$ 95,539</u>	<u>\$ 58,079</u>	<u>\$ 543,818</u>

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

CASA, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005 AND 2004

NOTE 1 – THE ENTITY

CASA, Inc. ("CASA"), which stands for "Court Appointed Special Advocate" was organized in September 1984 to train and supervise volunteers to act as advocates for children in foster care.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Periods

All references to 2005 and 2004 in these financial statements refer to the years ended June 30, 2005 and 2004, respectively, unless otherwise noted.

Basis of Accounting

The financial records of CASA are maintained on the accrual basis of accounting.

Financial Statement Presentation

CASA is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. A description of the three net asset categories follows:

Unrestricted – This class includes net assets that are not subject to any donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

Temporarily Restricted – This class includes net assets whose use by CASA is subject to donor-imposed restrictions that can be fulfilled by actions of CASA pursuant to those restrictions or that expire by the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted – This class includes net assets subject to donor-imposed restrictions that require the assets to be maintained permanently by CASA. Generally, the donors of these assets permit CASA to use all or part of the income earned on any related investments for general or specific purposes.

See Note 7 for further details related to net assets.

Contributions and Promises to Give

Contributions are recognized when the donor makes a promise to give to CASA that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions.

CASA, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2005 AND 2004

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions and Promises to Give (continued)

Promises which are payable over a period greater than one year are recorded at present value computed using a one-year treasury rate of 3.36%. The discount is amortized on the straight-line basis over the promise period, with the discount amortization being recorded as a component of contributions.

CASA also receives grant revenue from state and local agencies. Grant revenue is recognized in the period a liability is incurred for eligible expenditures under the terms of the grant.

CASA uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. At June 30, 2005 and 2004, management deemed all promises receivable fully collectible and no allowances have been recorded.

See Note 3 for further details.

Cash and Cash Equivalents

For purposes of the statement of cash flows, CASA considers all highly liquid unrestricted investments with an original maturity of three months or less to be cash equivalents.

CASA may, at times, maintain bank accounts whose balances exceed federally insured limits. However, CASA has not experienced any losses in such accounts, and believes it is not exposed to any significant credit risk related to cash and cash equivalents.

Agency (Functional) Endowment Fund

CASA's beneficial interest in an agency (functional) endowment fund held by the Community Foundation of Middle Tennessee is recognized as an asset. Investment income and changes in the value of the fund are recognized in the statement of activities, and distributions received from the fund are recorded as decreases in the beneficial interest.

Property, Plant and Equipment

Furniture and equipment is recorded at cost at the date of purchase or fair value at the date of gift. Depreciation is computed by using the straight-line method over the estimated useful lives of the related assets, which range from five to ten years for furniture and equipment and thirty years for the building.

See Note 5 for further details.

CASA, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2005 AND 2004

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Materials and Services

Donated services are recognized, at fair value, if they create or enhance nonfinancial assets or require specialized skills and would be purchased by CASA if not contributed. CASA received a substantial amount of donated services from unpaid volunteers which did not meet the criteria for recognition.

Donated assets and rights or benefits (e.g. leases, etc.) are recognized at fair value on the date contributed.

Income Taxes

CASA is a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code, and is not classified as a private foundation. Accordingly, no provision for income taxes is included in the accompanying financial statements.

Functional Allocation of Expenses

Expenses, which are directly related to a function, are charged to that function. Expenses that are related to more than one function are allocated to the applicable functions based upon various allocation methods in order to reflect the total cost of each function.

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. Accordingly, actual results could differ from those estimates.

Reclassifications

Certain amounts for 2004 have been reclassified to be consistent with the presentation for 2005. These reclassifications did not have a significant effect on the previously reported financial position, activities and cash flows of CASA.

CASA, INC.**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**
JUNE 30, 2005 AND 2004**NOTE 3 – PROMISES TO GIVE**

Unconditional promises to give consisted of the following at June 30, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Unrestricted promises to give	\$ 3,750	\$ 4,080
Temporarily restricted promises to give	205,516	233,008
Gross promises to give	209,266	237,088
Unamortized discount on promises to give	(5,208)	-
Net unconditional promises to give	204,058	237,088
Promises receivable during the next year	139,696	167,088
	<u>64,362</u>	<u>70,000</u>
Promises receivable during the following two years	\$ 64,362	\$ 70,000

NOTE 4 – AGENCY (FUNCTIONAL) ENDOWMENT FUND

CASA has a beneficial interest in the CASA of Nashville Fund, an agency (functional) endowment fund held by the Community Foundation of Middle Tennessee (the "Community Foundation"). Earnings on this fund are used to train and supervise volunteers to act as advocates for children in foster care. CASA has granted variance power to the Community Foundation, and the Community Foundation has the ultimate authority and control over the fund and its related income. The fund is charged a 0.4% administrative fee annually. Upon request by CASA, income from the fund representing a specified annual return may be distributed to CASA or to another suggested beneficiary.

NOTE 5 – PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consisted of the following at June 30, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Land	\$ 28,600	\$ 28,600
Building	321,400	321,400
Office furniture and equipment	59,424	70,127
Total cost	409,424	420,127
Less accumulated depreciation	(60,596)	(51,568)
Net book value	<u>\$ 348,828</u>	<u>\$ 368,559</u>

CASA, INC.**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**
JUNE 30, 2005 AND 2004**NOTE 6 – LONG-TERM DEBT**

Long-term debt consisted of the following at June 30, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Secured bank installment note	\$ 224,000	\$ 230,000
Less current maturities	<u>(56,000)</u>	<u>(56,000)</u>
Long-term portion	<u>\$ 168,000</u>	<u>\$ 174,000</u>

The bank installment note is secured by real estate. Annual principal payments of at least \$56,000 are payable through April 22, 2009. Interest is payable monthly at a floating interest rate of LIBOR plus 1.8% (a total annual rate of 4.91% and 2.91% at June 30, 2005 and 2004, respectively). Interest expense was \$9,473 and \$1,359 for the year ended June 30, 2005 and 2004, respectively.

Following is a schedule by years of future principal payments on long-term debt as of June 30, 2005:

Year ending June 30:	
2007	\$ 56,000
2008	56,000
2009	<u>56,000</u>
Total	<u>\$ 168,000</u>

NOTE 7 – NET ASSETS

Temporarily restricted net assets consisted of the following at June 30, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Building Fund	\$ 114,989	\$ 92,160
Cal Turner Family Foundation	40,000	80,000
United Way	45,319	63,625
National CASA	-	32,650
Memorial Foundation	35,000	25,000
Corrections Corporation	-	10,000
Lani Wilkeson Fund	<u>780</u>	<u>1,152</u>
Total temporarily restricted net assets	<u>\$ 236,088</u>	<u>\$ 304,587</u>

CASA, INC.**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**
JUNE 30, 2005 AND 2004**NOTE 7 – NET ASSETS (CONTINUED)**

Net assets were released from donor restrictions by incurring expenses satisfying the restrictions or by the passage of time restrictions during 2005 and 2004 as follows:

	<u>2005</u>	<u>2004</u>
Building Fund	\$ 62,160	\$ -
Cal Turner Family Foundation	40,000	-
United Way	63,625	53,913
National CASA	32,650	65,650
Memorial Foundation	25,000	25,000
Corrections Corporation	10,000	-
Lani Wilkeson Fund	472	-
Junior League	-	7,500
	<u>-</u>	<u>7,500</u>
Total net assets released from restrictions	<u>\$ 233,907</u>	<u>\$ 152,063</u>

NOTE 8 – IN-KIND CONTRIBUTIONS

Rent expense in the amount of \$16,800 was recorded to reflect the fair rental value of contributed office space for the year ended June 30, 2004. CASA relocated its offices to its newly acquired office building in Nashville, Tennessee during 2004, and thus there were no such in-kind contributions for 2005.

NOTE 9 – SPECIAL EVENTS/FUNDRAISING

Revenues and expenses relating to special events consisted of the following for the years ended June 30, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Light of Hope:		
Revenues	\$ 69,610	\$ 100,564
Expenses	(17,008)	(36,006)
	<u>-</u>	<u>-</u>
Excess of revenues over expenses	<u>\$ 52,602</u>	<u>\$ 64,558</u>

NOTE 10 – COMMITMENTS

Grant expenditures are subject to review and audit by the grantor agencies. Although such audits could result in disallowance of expenditures, management believes that any required reimbursements would not be significant. Accordingly, no provision has been made for potential reimbursements to the grantor.

CASA, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2005 AND 2004

NOTE 11 – EMPLOYEE BENEFIT PLAN

CASA has a defined contribution employee benefit plan for eligible employees under provisions of section 401(k) of the Internal Revenue Code. Employees may elect to contribute a percentage of their compensation, subject to certain limitations, to the plan on a pre-tax basis. Annual employer contributions, if any, to the plan are declared at the discretion of the Board of Directors. During 2005, the Company expensed employer contributions of \$2,285. No such contributions were made for 2004.

NOTE 12 – CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject CASA to concentrations of credit risk consist principally of contributions and grants receivable. Contributions and grants receivable represent concentrations of credit risk to the extent they are receivable from concentrated sources. Approximately \$45,000 and \$63,000 at June 30, 2005 and 2004, respectively, are due from one source that is considered to be fully collectible.

The top ten contributors and grantors each provided approximately 41% of CASA's revenue and support for the year ended June 30, 2005 (43% in 2004).