

**CASA, INC.**

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**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
CASA, Inc.:

We have audited the accompanying statements of financial position of CASA, Inc. (a nonprofit organization) as of June 30, 2006 and 2005, and the related statements of activities and changes in net assets, cash flows and functional expenses for the years 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 audits.

We conducted our audits 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CASA, Inc. as of June 30, 2006 and 2005, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

*Mullins Clemmons & Mayes, PLLC*

Brentwood, Tennessee  
September 13, 2006

**CASA, INC.****STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2006 AND 2005**

	<u>2006</u>	<u>2005</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 285,391	\$ 242,495
Unconditional promises to give, net	90,872	139,696
Prepaid expenses and other current assets	<u>1,772</u>	<u>4,755</u>
Total current assets	<u>378,035</u>	<u>386,946</u>
PROPERTY, PLANT AND EQUIPMENT, net	<u>340,667</u>	<u>348,828</u>
OTHER ASSETS:		
Long-term unconditional promises to give, net	16,354	64,362
Beneficial interest in agency (functional) endowment fund held by Community Foundation of Middle Tennessee	<u>7,712</u>	<u>6,562</u>
Total other assets	<u>24,066</u>	<u>70,924</u>
TOTAL ASSETS	<u>\$ 742,768</u>	<u>\$ 806,698</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	\$ 8,324	\$ 13,699
Current maturities of long-term debt	<u>41,000</u>	<u>56,000</u>
Total current liabilities	<u>49,324</u>	<u>69,699</u>
LONG-TERM DEBT	<u>112,000</u>	<u>168,000</u>
NET ASSETS:		
Unrestricted:		
Designated for beneficial interest in agency (functional) endowment fund	7,712	6,562
Undesignated	<u>430,939</u>	<u>326,349</u>
Total unrestricted	438,651	332,911
Temporarily restricted	<u>142,793</u>	<u>236,088</u>
Total net assets	<u>581,444</u>	<u>568,999</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 742,768</u>	<u>\$ 806,698</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, 2006**

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
REVENUES, GAINS AND OTHER SUPPORT:			
Contributions	\$ 286,481	\$ 93,903	\$ 380,384
Grants	17,500	-	17,500
Special events	117,049	-	117,049
Net investment return	7,848	-	7,848
Change in value of beneficial interest in agency (functional) endowment fund held by Community Foundation of Middle Tennessee	1,150	-	1,150
Miscellaneous income	1,895	-	1,895
Total	431,923	93,903	525,826
Net assets released from restrictions	187,198	(187,198)	-
Total revenues, gains and other support	619,121	(93,295)	525,826
EXPENSES:			
Program services	357,732	-	357,732
Fundraising	90,475	-	90,475
Management and general	65,174	-	65,174
Total expenses	513,381	-	513,381
CHANGE IN NET ASSETS	105,740	(93,295)	12,445
NET ASSETS:			
Beginning of year	332,911	236,088	568,999
End of year	\$ 438,651	\$ 142,793	\$ 581,444

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**

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
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.****STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005**

	<u>2006</u>	<u>2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 12,445	\$ (38,003)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	17,551	18,920
Noncash contribution of assets	(500)	-
Loss on disposal of property, plant and equipment	-	811
Discount on unconditional promises to give	(3,084)	5,208
Change in value of beneficial interest in agency (functional) endowment fund	(1,150)	(504)
Net changes in operating assets and liabilities:		
Unconditional promises to give	99,916	27,822
Prepaid expenses and other assets	2,983	(861)
Accounts payable and accrued liabilities	(5,375)	12,181
Net cash provided by operating activities	<u>122,786</u>	<u>25,574</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant, and equipment	<u>(8,890)</u>	<u>-</u>
Net cash used in investing activities	<u>(8,890)</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on long-term borrowings	<u>(71,000)</u>	<u>(6,000)</u>
Net cash used in financing activities	<u>(71,000)</u>	<u>(6,000)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	42,896	19,574
CASH AND CASH EQUIVALENTS:		
Beginning of year	<u>242,495</u>	<u>222,921</u>
End of year	<u>\$ 285,391</u>	<u>\$ 242,495</u>

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

**CASA, INC.****STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2006**

	<b>Program Services</b>	<b>Fundraising</b>	<b>Management and General</b>	<b>Total</b>
Salaries and employee benefits	\$ 274,711	\$ 52,337	\$ 39,526	\$ 366,574
Professional and temporary services	7,444	1,017	10,133	18,594
Insurance expense	7,632	1,049	858	9,539
Supplies	4,957	1,094	1,063	7,114
Meetings expense	290	185	428	903
Communication	17,135	4,561	1,892	23,588
Community awareness/education	200	-	52	252
Special events	-	21,806	-	21,806
Occupancy costs	5,552	740	1,077	7,369
Equipment expense	5,129	400	2,599	8,128
Travel	1,022	613	94	1,729
Professional development and training	329	813	1,436	2,578
Board development	95	45	886	1,026
Volunteer development	6,619	-	-	6,619
Dues and subscriptions	1,365	695	510	2,570
Fees	1,484	654	1,137	3,275
Interest	8,444	2,007	1,689	12,140
Miscellaneous expense	213	-	-	213
Repairs	1,070	143	214	1,427
Campaign expenses	-	385	-	385
Total expenses before depreciation	343,691	88,544	63,594	495,829
Depreciation	14,041	1,931	1,580	17,552
Total expenses	<u>\$ 357,732</u>	<u>\$ 90,475</u>	<u>\$ 65,174</u>	<u>\$ 513,381</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**

	<b>Program Services</b>	<b>Fundraising</b>	<b>Management and General</b>	<b>Total</b>
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.**

### **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006 AND 2005**

#### **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 2006 and 2005 in these financial statements refer to the years ended June 30, 2006 and 2005, 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, 2006 AND 2005**

**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, 2006 and 2005, management deemed all promises receivable to be 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.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2006 AND 2005**

**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.

**NOTE 3 – PROMISES TO GIVE**

Unconditional promises to give consisted of the following at June 30, 2006 and 2005:

	<b><u>2006</u></b>	<b><u>2005</u></b>
Unrestricted promises to give	\$ -	\$ 3,750
Temporarily restricted promises to give	<u>109,350</u>	<u>205,516</u>
Gross promises to give	109,350	209,266
Unamortized discount on promises to give	<u>(2,124)</u>	<u>(5,208)</u>
Net unconditional promises to give	107,226	204,058
Promises receivable during the next year	<u>90,872</u>	<u>139,696</u>
 Promises receivable during the following two years	 <u><u>\$ 16,354</u></u>	 <u><u>\$ 64,362</u></u>

**CASA, INC.****NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2006 AND 2005****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, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Land	\$ 28,600	\$ 28,600
Building	321,400	321,400
Office furniture and equipment	68,814	59,424
Total cost	<u>418,814</u>	<u>409,424</u>
Less accumulated depreciation	<u>(78,147)</u>	<u>(60,596)</u>
Net book value	<u>\$ 340,667</u>	<u>\$ 348,828</u>

**NOTE 6 – LONG-TERM DEBT**

Long-term debt consisted of the following at June 30, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Secured bank installment note	\$ 153,000	\$ 224,000
Less current maturities	<u>(41,000)</u>	<u>(56,000)</u>
Long-term portion	<u>\$ 112,000</u>	<u>\$ 168,000</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 6.91% and 4.91% at June 30, 2006 and 2005, respectively). Interest expense was \$12,139 and \$9,473 for the year ended June 30, 2006 and 2005, respectively.

**CASA, INC.****NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2006 AND 2005****NOTE 6 – LONG-TERM DEBT (CONTINUED)**

Following is a schedule by years of future principal payments on long-term debt as of June 30, 2006:

Year ending June 30:	
2008	\$ 56,000
2009	<u>56,000</u>
Total	<u>\$ 112,000</u>

**NOTE 7 – NET ASSETS**

Temporarily restricted net assets consisted of the following at June 30, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Building Fund	\$ 63,207	\$ 114,989
Cal Turner Family Foundation	-	40,000
United Way	44,019	45,319
Memorial Foundation	35,000	35,000
Lani Wilkeson Fund	<u>567</u>	<u>780</u>
Total temporarily restricted net assets	<u>\$ 142,793</u>	<u>\$ 236,088</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restrictions or by the passage of time restrictions during 2006 and 2005 as follows:

	<u>2006</u>	<u>2005</u>
Building Fund	\$ 66,666	\$ 62,160
Cal Turner Family Foundation	40,000	40,000
United Way	45,319	63,625
National CASA	-	32,650
Memorial Foundation	35,000	25,000
Corrections Corporation	-	10,000
Lani Wilkeson Fund	<u>213</u>	<u>472</u>
Total net assets released from restrictions	<u>\$ 187,198</u>	<u>\$ 233,907</u>

**CASA, INC.****NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2006 AND 2005****NOTE 8 – SPECIAL EVENTS/FUNDRAISING**

Revenues and expenses relating to special events consisted of the following for the years ended June 30, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Light of Hope:		
Revenues	\$ 117,049	\$ 69,610
Expenses	<u>(21,806)</u>	<u>(17,008)</u>
Excess of revenues over expenses	<u>\$ 95,243</u>	<u>\$ 52,602</u>

**NOTE 9 – 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.

**NOTE 10 – 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 2006.

**NOTE 11 – 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 at June 30, 2006 and 2005, respectively, are due from one source that is considered to be fully collectible.

The top ten contributors and grantors each provided approximately 44% of CASA's revenue and support for the year ended June 30, 2006 (41% in 2005).