

CASA, INC.

**FINANCIAL STATEMENTS
& INDEPENDENT AUDITORS' REPORT**

JUNE 30, 2016 and 2015

CASA, INC.

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MULLINS CLEMMONS & MAYES, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
CASA, Inc.:

We have audited the accompanying financial statements of CASA, Inc. (a nonprofit organization) as of June 30, 2016 and 2015, which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and changes in net assets, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Mullins Clemmons & Mayes, PLLC

Brentwood, Tennessee
November 3, 2016

CASA, INC.**STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 40,021	\$ 106,354
Receivable from Family & Children's Services	9,720	-
Special event sponsorship receivable	5,000	-
Insurance claim receivable	2,562	-
Grants receivable	4,125	4,125
Total current assets	<u>61,428</u>	<u>110,479</u>
 PROPERTY AND EQUIPMENT, net	 <u>289,177</u>	 <u>300,929</u>
 OTHER ASSETS:		
Investments	4,032	-
Beneficial interest in agency endowment fund held by Community Foundation of Middle Tennessee	44,747	45,328
Utility deposits	550	550
Total other assets	<u>49,329</u>	<u>45,878</u>
 TOTAL ASSETS	 <u><u>\$ 399,934</u></u>	 <u><u>\$ 457,286</u></u>
 <u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	\$ 14,002	\$ 25,174
Total current liabilities	<u>14,002</u>	<u>25,174</u>
 NET ASSETS:		
Unrestricted:		
Designated for beneficial interest in agency endowment fund	44,747	45,328
Undesignated	333,185	359,089
Total unrestricted	<u>377,932</u>	<u>404,417</u>
Temporarily restricted	8,000	27,695
Total net assets	<u>385,932</u>	<u>432,112</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 399,934</u></u>	 <u><u>\$ 457,286</u></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, 2016**

	Unrestricted	Temporarily Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT:			
Contributions	\$ 380,473	\$ 32,000	\$ 412,473
Grants	22,875	-	22,875
Special events	198,140	-	198,140
Change in value of beneficial interest in agency endowment fund held by Community Foundation of Middle Tennessee	(581)	-	(581)
Other income	33,401	-	33,401
Total	634,308	32,000	666,308
Net assets released from restrictions	51,695	(51,695)	-
Total revenues, gains and other support	686,003	(19,695)	666,308
EXPENSES:			
Program services	405,763	-	405,763
Fundraising	217,809	-	217,809
Management and general	88,916	-	88,916
Total expenses	712,488	-	712,488
CHANGE IN NET ASSETS	(26,485)	(19,695)	(46,180)
NET ASSETS:			
Beginning of year	404,417	27,695	432,112
End of year	\$ 377,932	\$ 8,000	\$ 385,932

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, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES, GAINS AND OTHER SUPPORT:			
Contributions	\$ 367,121	\$ 54,195	\$ 421,316
Grants	57,400	-	57,400
Special events	271,770	-	271,770
Change in value of beneficial interest in agency endowment fund held by Community Foundation of Middle Tennessee	452	-	452
Other income	37,796	-	37,796
Total	<u>734,539</u>	<u>54,195</u>	<u>788,734</u>
Net assets released from restrictions	<u>69,721</u>	<u>(69,721)</u>	<u>-</u>
Total revenues, gains and other support	<u>804,260</u>	<u>(15,526)</u>	<u>788,734</u>
EXPENSES:			
Program services	418,778	-	418,778
Fundraising	311,371	-	311,371
Management and general	108,810	-	108,810
Total expenses	<u>838,959</u>	<u>-</u>	<u>838,959</u>
CHANGE IN NET ASSETS	(34,699)	(15,526)	(50,225)
NET ASSETS:			
Beginning of year	<u>439,116</u>	<u>43,221</u>	<u>482,337</u>
End of year	<u>\$ 404,417</u>	<u>\$ 27,695</u>	<u>\$ 432,112</u>

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

CASA, INC.**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (46,180)	\$ (50,225)
Adjustments to reconcile change in net assets to net cash provided (used in) by operating activities:		
Depreciation	19,548	19,397
Donation of securities	(4,846)	-
Net realized and unrealized investment losses	373	-
Loss on disposal of equipment	1,125	-
Change in value of beneficial interest in agency endowment fund	581	(452)
Contributions to agency endowment fund	-	(15,500)
Net changes in operating assets and liabilities:		
Unconditional promises to give	(12,282)	40,289
Prepaid expenses and other assets	(5,000)	516
Accounts payable and accrued liabilities	(11,172)	11,075
Deferred revenue	-	(450)
Net cash provided by (used in) operating activities	<u>(57,853)</u>	<u>4,650</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(8,921)	(10,765)
Purchases of investments	(327)	-
Proceeds from sales of investments	768	-
Net cash used in investing activities	<u>(8,480)</u>	<u>(10,765)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(66,333)	(6,115)
CASH AND CASH EQUIVALENTS:		
Beginning of year	<u>106,354</u>	<u>112,469</u>
End of year	<u><u>\$ 40,021</u></u>	<u><u>\$ 106,354</u></u>

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

CASA, INC.**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016**

	Program Services	Fundraising	Management and General	Total
Salaries and employee benefits	\$ 307,214	\$ 14,004	\$ 42,245	\$ 363,463
Professional and temporary services	12,580	42,959	29,152	84,691
Insurance expense	8,239	1,417	2,191	11,847
Supplies	5,117	709	975	6,801
Meetings expense	1,169	560	278	2,007
Communication	3,624	12,056	1,258	16,938
Community relations	663	62	56	781
Special events	-	130,191	-	130,191
Occupancy costs	10,789	2,100	2,149	15,038
Equipment maintenance	19,315	2,739	3,255	25,309
Travel	1,025	46	151	1,222
Professional development and training	4,415	210	213	4,838
Board development	-	-	1,702	1,702
Volunteer development	14,067	177	726	14,970
Dues and subscriptions	990	7,399	1,269	9,658
Fees	2,345	737	403	3,485
Total expenses before depreciation expense	391,552	215,366	86,023	692,941
Depreciation expense	14,211	2,443	2,893	19,547
Total expenses	<u>\$ 405,763</u>	<u>\$ 217,809</u>	<u>\$ 88,916</u>	<u>\$ 712,488</u>

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

CASA, INC.**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2015**

	Program Services	Fundraising	Management and General	Total
Salaries and employee benefits	\$ 330,955	\$ 152,648	\$ 72,271	\$ 555,874
Professional and temporary services	12,728	5,018	19,682	37,428
Insurance expense	5,984	2,371	1,054	9,409
Supplies	4,289	1,263	951	6,503
Meetings expense	2,904	1,456	680	5,040
Communication	4,058	10,519	4,798	19,375
Community relations	339	1,381	60	1,780
Special events	-	118,152	-	118,152
Occupancy costs	9,234	1,231	1,847	12,312
Equipment maintenance	13,375	5,124	2,568	21,067
Travel	1,534	426	61	2,021
Professional development and training	4,729	923	121	5,773
Board development	51	20	571	642
Volunteer development	9,729	346	-	10,075
Dues and subscriptions	2,155	3,793	870	6,818
Fees	4,378	1,812	1,104	7,294
Total expenses before depreciation expense	406,442	306,483	106,638	819,563
Depreciation expense	12,336	4,888	2,172	19,396
Total expenses	<u>\$ 418,778</u>	<u>\$ 311,371</u>	<u>\$ 108,810</u>	<u>\$ 838,959</u>

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

CASA, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

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 in Nashville, Tennessee.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Periods

All references to 2016 and 2015 in these financial statements refer to the years ended June 30, 2016 and 2015, respectively, unless otherwise noted.

Financial Statement Presentation

CASA is required to report information regarding its financial position and activities according to three classes of net assets as 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. Additionally, any temporarily restricted contributions whose restrictions are met in the same reporting year are shown as unrestricted revenues.

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 8 for further details related to net assets.

Contributions and Promises to Give

Contributions are recognized as revenues 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. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

CASA, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016 AND 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions and Promises to Give (continued)

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, 2016 and 2015, there were no promises to give, and therefore no allowances were required.

Grants Receivable

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

Cash and Cash Equivalents

For purposes of the statement of cash flows, CASA considers all highly liquid 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.

Investments

The fair value measurement accounting literature has established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, and Level 3 inputs are unobservable and have the lowest priority.

CASA uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, CASA measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. CASA investments in marketable securities are reported at fair value, based on Level 1 inputs. Gains and losses, whether realized or unrealized, are included in the statement of activities and changes in net assets. See Note 3 for further details related to investments.

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 changes in the beneficial interest.

CASA, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016 AND 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment are recorded at cost at the date of purchase or fair value at the date of gift. Depreciation expense 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. All expenditures for property and equipment in excess of \$500 are capitalized.

See Note 5 for further details.

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. CASA files an annual information return (Form 990) with the U.S. government. At June 30, 2016, CASA is no longer subject to U.S. tax examinations of these information returns by tax authorities for years before June 30, 2013.

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.

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.

CASA, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016 AND 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Events Occurring After the Reporting Date

CASA has evaluated events and transactions that occurred between June 30, 2016 and November 3, 2016, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

NOTE 3 – INVESTMENTS

CASA's investments at June 30, 2016 consist entirely of an investment in an open-end mutual fund registered with the U.S. Securities and Exchange Commission. The investment is recorded at fair value using Level 1 inputs based on the quoted net asset values of the shares as reported by the fund. The fund must publish its daily net asset value and transact at that price. The mutual fund held by CASA is considered to be actively traded. The fair value and cost of this investment were as follows at June 30, 2016:

Fair value	\$ 4,032
Cost	(4,336)
Net unrealized loss	<u>\$ (304)</u>

CASA had no investments that required the use of Level 2 or Level 3 inputs.

The net investment return consisted of the following for 2016:

Dividend income	\$ 327
Net unrealized losses	(304)
Net investment return	<u>23</u>

CASA held no such investments at June 30, 2015.

NOTE 4 – BENEFICIAL INTEREST IN AGENCY ENDOWMENT FUND

CASA has a beneficial interest in the CASA of Nashville Fund, an agency 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.

CASA, INC.**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**
JUNE 30, 2016 AND 2015**NOTE 5 – PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Land	\$ 28,600	\$ 28,600
Building	365,403	365,403
Office furniture and equipment	<u>85,584</u>	<u>87,523</u>
Total cost	479,587	481,526
Less accumulated depreciation	<u>(190,410)</u>	<u>(180,597)</u>
Property and equipment, net	<u>\$ 289,177</u>	<u>\$ 300,929</u>

NOTE 6 – LEASES

During 2016, CASA entered into an operating lease to lease a copier. Total rent expense for 2016 was \$2,254.

Following is a schedule by year of the future minimum lease payments as of June 30, 2016:

<u>Year Ending</u> <u>June 30,</u>	<u>Future</u> <u>Payments</u>
2017	\$ 3,380
2018	3,380
2019	3,380
2020	<u>1,127</u>
Total	<u>\$ 11,267</u>

NOTE 7 – LINE OF CREDIT AND NOTE PAYABLE

CASA has a revolving line of credit from its bank. The agreement provides for maximum borrowings of \$70,000. Interest is payable monthly at an annual rate of 1% over the bank's prime rate (a total of 4.5% at June 30, 2016), and principal is payable upon demand by the bank. The bank also has the right to terminate this agreement at any time. The line of credit is collateralized by any deposits held by the bank, as well as CASA's real estate. No advances were outstanding at June 30, 2016 and 2015.

CASA, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016 AND 2015

NOTE 8 – NET ASSETS

Temporarily restricted net assets consisted of the following at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Baptist Healing Trust	\$ 8,000	\$ 8,000
Frist Foundation	-	7,820
Other foundations/corporations	-	11,875
Total temporarily restricted net assets	<u>\$ 8,000</u>	<u>\$ 27,695</u>

There were no permanently restricted net assets at June 30, 2016 and 2015.

Net assets were released from donor restrictions by incurring expenses satisfying the restrictions or by the passage of time restrictions during 2016 and 2015 as follows:

	<u>2016</u>	<u>2015</u>
Baptist Healing Trust	\$ 32,000	\$ 28,687
Memorial Foundation	-	30,000
Special events	6,875	-
Other foundations	12,820	11,034
Total net assets released from restrictions	<u>\$ 51,695</u>	<u>\$ 69,721</u>

NOTE 9 – SPECIAL EVENTS AND FUNDRAISING

Unrestricted revenues and direct expenses relating to special events consisted of the following for the years ended June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Revenues	\$ 198,140	\$ 271,770
Expenses	(130,191)	(118,152)
Excess of revenues over expenses	<u>\$ 67,949</u>	<u>\$ 153,618</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, 2016 AND 2015

NOTE 11 – EMPLOYEE BENEFIT PLAN

Prior to July 1, 2015, CASA had a defined contribution employee benefit plan for eligible employees under provisions of section 401(k) of the Internal Revenue Code. Employees could 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 were declared at the discretion of the Board of Directors. No such employer contributions were made in 2015. The plan was terminated effective June 30, 2015.

NOTE 12 – CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject CASA to concentrations of credit risk principally consist of grants receivable. Grants receivable represent concentrations of credit risk to the extent they are receivable from concentrated sources. At June 30, 2016 and 2015, grants receivable due from the single largest source totaled \$4,125 or 100% of grants receivable.

Contributors and grantors providing at least \$10,000 of contributions and grants comprised \$218,500 or 32.8% of the total revenues, gains and support for the year ended June 30, 2016 and \$139,400 or 17.7% for the year ended June 30, 2015.

NOTE 13 – SUBSEQUENT EVENT

CASA has entered into an affiliation agreement with Family & Children's Service ("FCS") wherein FCS will provide operational and financial management services to CASA as detailed in the agreement. The term of the agreement begins on July 1, 2016 for a one year period and will automatically renew for another one year period unless terminated by either party.