

CASA, INC.

FINANCIAL STATEMENTS

JUNE 30, 2007 and 2006

CASA, INC.

TABLE OF CONTENTS

Independent Auditors' Report	1
Financial Statements as of and for the Years Ended June 30, 2007 and 2006:	
Statements of Financial Position	2
Statements of Activities and Changes in Net Assets	3 - 4
Statements of Cash Flows	5
Statements of Functional Expenses.....	6 - 7
Notes to Financial Statements	8 - 13

MULLINS CLEMMONS & MAYES, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

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, 2007 and 2006, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of CASA, Inc.'s management. 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 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, 2007 and 2006, 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
October 31, 2007

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CASA, INC.**STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 258,392	\$ 285,391
Unconditional promises to give, net	91,481	90,872
Prepaid expenses and other current assets	4,493	1,772
Total current assets	<u>354,366</u>	<u>378,035</u>
PROPERTY, PLANT AND EQUIPMENT, net	<u>329,895</u>	<u>340,667</u>
OTHER ASSETS:		
Long-term unconditional promises to give, net	1,024	16,354
Beneficial interest in agency (functional) endowment fund held by Community Foundation of Middle Tennessee	9,732	7,712
Total other assets	<u>10,756</u>	<u>24,066</u>
TOTAL ASSETS	<u>\$ 695,017</u>	<u>\$ 742,768</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	\$ 9,299	\$ 8,324
Current maturities of long-term debt	56,000	41,000
Total current liabilities	<u>65,299</u>	<u>49,324</u>
LONG-TERM DEBT	<u>56,000</u>	<u>112,000</u>
NET ASSETS:		
Unrestricted:		
Designated for beneficial interest in agency (functional) endowment fund	9,732	7,712
Undesignated	427,867	430,939
Total unrestricted	<u>437,599</u>	<u>438,651</u>
Temporarily restricted	136,119	142,793
Total net assets	<u>573,718</u>	<u>581,444</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 695,017</u>	<u>\$ 742,768</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, 2007**

	Unrestricted	Temporarily Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT:			
Contributions	\$ 287,080	\$ 118,220	\$ 405,300
Grants	17,500	-	17,500
Special events	110,898	-	110,898
Net investment return	11,132	-	11,132
Change in value of beneficial interest in agency (functional) endowment fund held by Community Foundation of Middle Tennessee	1,320	-	1,320
Miscellaneous income	1,371	-	1,371
Total	429,301	118,220	547,521
Net assets released from restrictions	124,894	(124,894)	-
Total revenues, gains and other support	554,195	(6,674)	547,521
EXPENSES:			
Program services	383,031	-	383,031
Fundraising	105,695	-	105,695
Management and general	66,521	-	66,521
Total expenses	555,247	-	555,247
CHANGE IN NET ASSETS	(1,052)	(6,674)	(7,726)
NET ASSETS:			
Beginning of year	438,651	142,793	581,444
End of year	\$ 437,599	\$ 136,119	\$ 573,718

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**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
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	<u>431,923</u>	<u>93,903</u>	<u>525,826</u>
Net assets released from restrictions	<u>187,198</u>	<u>(187,198)</u>	<u>-</u>
Total revenues, gains and other support	<u>619,121</u>	<u>(93,295)</u>	<u>525,826</u>
EXPENSES:			
Program services	357,732	-	357,732
Fundraising	90,475	-	90,475
Management and general	65,174	-	65,174
Total expenses	<u>513,381</u>	<u>-</u>	<u>513,381</u>
CHANGE IN NET ASSETS	105,740	(93,295)	12,445
NET ASSETS:			
Beginning of year	<u>332,911</u>	<u>236,088</u>	<u>568,999</u>
End of year	<u>\$ 438,651</u>	<u>\$ 142,793</u>	<u>\$ 581,444</u>

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

CASA, INC.**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006**

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (7,726)	\$ 12,445
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	15,010	17,551
Noncash contribution of assets	-	(500)
Discount on unconditional promises to give	(2,054)	(3,084)
Change in value of beneficial interest in agency (functional) endowment fund	(2,020)	(1,150)
Net changes in operating assets and liabilities:		
Unconditional promises to give	16,775	99,916
Prepaid expenses and other assets	(2,721)	2,983
Accounts payable and accrued liabilities	975	(5,375)
Net cash provided by operating activities	<u>18,239</u>	<u>122,786</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant, and equipment	<u>(4,238)</u>	<u>(8,890)</u>
Net cash used in investing activities	<u>(4,238)</u>	<u>(8,890)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on long-term borrowings	<u>(41,000)</u>	<u>(71,000)</u>
Net cash used in financing activities	<u>(41,000)</u>	<u>(71,000)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(26,999)	42,896
CASH AND CASH EQUIVALENTS:		
Beginning of year	<u>285,391</u>	<u>242,495</u>
End of year	<u>\$ 258,392</u>	<u>\$ 285,391</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	\$ 9,914	\$ 12,140

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

CASA, INC.**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2007**

	Program Services	Fundraising	Management and General	Total
Salaries and employee benefits	\$ 296,218	\$ 54,876	\$ 45,438	\$ 396,532
Professional and temporary services	5,333	756	8,098	14,187
Insurance expense	8,333	1,179	966	10,478
Supplies	6,485	1,179	1,221	8,885
Meetings expense	487	17	281	785
Communication	12,082	4,053	1,478	17,613
Community awareness/education	86	8	89	183
Special events	-	36,007	-	36,007
Occupancy costs	5,941	790	1,331	8,062
Equipment expense	3,227	925	428	4,580
Travel	971	200	184	1,355
Professional development and training	8,336	1,523	1,155	11,014
Board development	-	-	1,342	1,342
Volunteer development	13,650	-	30	13,680
Dues and subscriptions	1,154	143	307	1,604
Fees	2,090	587	314	2,991
Interest	7,406	1,372	1,136	9,914
Miscellaneous expense	19	3	3	25
Bad debts	-	-	1,000	1,000
Total expenses before depreciation expense	371,818	103,618	64,801	540,237
Depreciation expense	11,213	2,077	1,720	15,010
Total expenses	<u>\$ 383,031</u>	<u>\$ 105,695</u>	<u>\$ 66,521</u>	<u>\$ 555,247</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**

	Program Services	Fundraising	Management and General	Total
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	214	-	-	214
Repairs	1,070	143	214	1,427
Campaign expenses	-	385	-	385
Total expenses before depreciation expense	343,692	88,544	63,594	495,830
Depreciation expense	14,040	1,931	1,580	17,551
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.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007 AND 2006

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 2007 and 2006 in these financial statements refer to the years ended June 30, 2007 and 2006, 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 7 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.

Promises which are payable over a period greater than one year are recorded at present value which is computed using a one-year treasury rate in the year of the promise. 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, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2007 AND 2006

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions and Promises to Give (continued)

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, 2007 and 2006, 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 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 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, plant 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2007 AND 2006

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.

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, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Unrestricted promises to give	\$ 3,750	\$ -
Temporarily restricted promises to give	<u>88,825</u>	<u>109,350</u>
Gross promises to give	92,575	109,350
Unamortized discount on promises to give	<u>(70)</u>	<u>(2,124)</u>
Net unconditional promises to give	92,505	107,226
Promises receivable due less than one year	<u>91,481</u>	<u>90,872</u>
 Promises receivable due within one to five years	 <u>\$ 1,024</u>	 <u>\$ 16,354</u>

Long-term promises to give are presented at present value using a discount rate of 3.4%.

CASA, INC.**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**
JUNE 30, 2007 AND 2006**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, 2007 and 2006:

	2007	2006
Land	\$ 28,600	\$ 28,600
Building	321,400	321,400
Office furniture and equipment	57,034	68,814
Total cost	407,034	418,814
Less accumulated depreciation	(77,139)	(78,147)
Net book value	<u>\$ 329,895</u>	<u>\$ 340,667</u>

NOTE 6 – LONG-TERM DEBT

Long-term debt consisted of the following at June 30, 2007 and 2006:

	2007	2006
Secured bank installment note	\$ 112,000	\$ 153,000
Less current maturities	(56,000)	(41,000)
Long-term portion	<u>\$ 56,000</u>	<u>\$ 112,000</u>

The bank installment note is due in annual principal payments of at least \$56,000 plus interest payable monthly at a floating interest rate of LIBOR plus 1.80% (a total annual rate of 7.12% and 6.91% at June 30, 2007 and 2006, respectively) through April 22, 2009. The note is secured by land and building with a net carrying value of \$315,916.

CASA, INC.**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**
JUNE 30, 2007 AND 2006**NOTE 6 – LONG-TERM DEBT (CONTINUED)**

Following is a schedule by years of future principal payments on long-term debt as of June 30, 2007:

Year ending June 30:	
2009	\$ 56,000

NOTE 7 – NET ASSETS

Temporarily restricted net assets consisted of the following at June 30, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Building Fund	\$ 19,386	\$ 63,207
United Way	51,869	44,019
Memorial Foundation	35,000	35,000
Corrections Corporation of America	12,500	-
National CASA	10,417	-
Other Foundations	6,380	-
Lani Wilkeson Fund	<u>567</u>	<u>567</u>
Total temporarily restricted net assets	<u>\$ 136,119</u>	<u>\$ 142,793</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restrictions or by the passage of time restrictions during 2007 and 2006 as follows:

	<u>2007</u>	<u>2006</u>
Building Fund	\$ 45,875	\$ 66,666
Cal Turner Family Foundation	-	40,000
United Way	44,019	45,319
Memorial Foundation	35,000	35,000
Lani Wilkeson Fund	<u>-</u>	<u>213</u>
Total net assets released from restrictions	<u>\$ 124,894</u>	<u>\$ 187,198</u>

CASA, INC.**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**
JUNE 30, 2007 AND 2006**NOTE 8 – SPECIAL EVENTS/FUNDRAISING**

Revenues and expenses relating to special events consisted of the following for the years ended June 30, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Light of Hope, NO-GO and Mi Casa Su Casa:		
Revenues	\$ 110,898	\$ 117,049
Expenses	<u>(36,007)</u>	<u>(21,806)</u>
Excess of revenues over expenses	<u>\$ 74,891</u>	<u>\$ 95,243</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. No such contributions were made in 2007 or 2006.

NOTE 11 – CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject CASA to concentrations of credit risk principally consist of contributions and grants receivable. Contributions and grants receivable represent concentrations of credit risk to the extent they are receivable from concentrated sources. At June 30, 2007, contributions and grants receivable due from one source totaled approximately \$52,000 or 56.8% of contribution and grants receivable. At June 30, 2006, contributions and grants receivable due from one source totaled approximately \$45,000 or 49.5% of contribution and grants receivable.

The top ten contributors and grantors of CASA provided approximately \$229,000 or 41.8% of CASA's revenue and support for the year ended June 30, 2007 and approximately \$233,000 or 44.3% for the year ended June 30, 2006.