

NATIONAL CASA ASSOCIATION

FINANCIAL REPORT

DECEMBER 31, 2016

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
National CASA Association
Seattle, Washington

We have audited the accompanying financial statements of National CASA Association, which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows 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; 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 National CASA Association as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

Petersen Sullivan LLP

June 23, 2017

NATIONAL CASA ASSOCIATION

STATEMENTS OF FINANCIAL POSITION

December 31, 2016 and 2015

ASSETS	<u>2016</u>	<u>2015</u>
Current Assets		
Cash	\$ 2,560,469	\$ 1,585,120
Investments	289,254	271,356
Receivable from Department of Justice	127,486	298,789
Contributions receivable - current portion	123,324	216,348
Deposited and prepaid expenses	<u>76,426</u>	<u>67,563</u>
Total current assets	3,176,959	2,439,176
Contributions Receivable, net of current portion and discount	163,776	249,953
Contributions Receivable Restricted for the Endowment, net of discount	270,756	341,687
Endowment Cash and Cash Equivalents	<u>65,000</u>	<u> </u>
Total assets	<u>\$ 3,676,491</u>	<u>\$ 3,030,816</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 147,214	\$ 79,184
Accrued wages and benefits	100,999	34,545
Deferred conference revenue	<u>119,780</u>	<u> </u>
Total current liabilities	367,993	113,729
Net Assets		
Unrestricted	1,499,323	1,369,117
Temporarily restricted	1,467,488	1,206,283
Permanently restricted	<u>341,687</u>	<u>341,687</u>
Total net assets	<u>3,308,498</u>	<u>2,917,087</u>
Total liabilities and net assets	<u>\$ 3,676,491</u>	<u>\$ 3,030,816</u>

See Notes to Financial Statements

NATIONAL CASA ASSOCIATION

STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2016 and 2015

	2016				2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue								
Department of Justice								
cooperative agreements	\$ 4,635,446	\$ -	\$ -	\$ 4,635,446	\$ 4,650,041	\$ -	\$ -	\$ 4,650,041
Department of Justice grant	2,149,419			2,149,419	3,029,394			3,029,394
Conference fees	441,507			441,507	499,846			499,846
Membership dues	232,732			232,732	225,035			225,035
Corporate and foundation								
contributions	238,511	1,124,348		1,362,859	514,825	1,123,704	341,687	1,980,216
Individual contributions	572,803			572,803	384,583	34,646		419,229
Interest and investment income (loss)	22,567			22,567	(543)			(543)
Net assets released from								
restrictions	863,143	(863,143)			745,391	(745,391)		
Total support and revenue	9,156,128	261,205		9,417,333	10,048,572	412,959	341,687	10,803,218
Expenses								
Training and technical assistance	2,026,750			2,026,750	2,132,844			2,132,844
Member and public outreach	1,440,702			1,440,702	1,212,878			1,212,878
Grant activities	3,917,683			3,917,683	5,017,445			5,017,445
Total program services	7,385,135			7,385,135	8,363,167			8,363,167
General and administrative	1,384,062			1,384,062	1,420,093			1,420,093
Fundraising	256,725			256,725	228,027			228,027
Total supporting services	1,640,787			1,640,787	1,648,120			1,648,120
Total expenses	9,025,922			9,025,922	10,011,287			10,011,287
Change in net assets	130,206	261,205		391,411	37,285	412,959	341,687	791,931
Net Assets, beginning of year	1,369,117	1,206,283	341,687	2,917,087	1,331,832	793,324		2,125,156
Net Assets, end of year	<u>\$ 1,499,323</u>	<u>\$ 1,467,488</u>	<u>\$ 341,687</u>	<u>\$ 3,308,498</u>	<u>\$ 1,369,117</u>	<u>\$ 1,206,283</u>	<u>\$ 341,687</u>	<u>\$ 2,917,087</u>

See Notes to Financial Statements

NATIONAL CASA ASSOCIATION

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2016

	Program Services			Supporting Services			Total	
	Training and Technical Assistance	Member and Public Outreach	Grant Activities	Total Program Services	General and Administrative	Fundraising		Total Supporting Services
Grantee disbursements	\$ -	\$ -	\$ 3,681,542	\$ 3,681,542	\$ -	\$ -	\$ -	\$ 3,681,542
Personnel and payroll taxes	1,451,184	668,086	181,229	2,300,499	569,383	65,824	635,207	2,935,706
Contract services	231,994	217,509	10,000	459,503	335,132	111,023	446,155	905,658
Travel and subsistence	99,895	291,590	25,734	417,219	78,257	3,740	81,997	499,216
Program promotion and other	76,566	174,295		250,861	118,286	4,434	122,720	373,581
Rent	54,402	52,459	13,600	120,461	158,555	34,973	193,528	313,989
Office supplies and postage	61,877	14,126	6	76,009	30,917	23,362	54,279	130,288
Telephone and toll-free number	47,980	6,569	5,572	60,121	17,475		17,475	77,596
Professional fees					62,330	11,449	73,779	73,779
Printing	2,852	16,068		18,920	349	1,920	2,269	21,189
Insurance					13,378		13,378	13,378
Total expenses	\$ 2,026,750	\$ 1,440,702	\$ 3,917,683	\$ 7,385,135	\$ 1,384,062	\$ 256,725	\$ 1,640,787	\$ 9,025,922

See Notes to Financial Statements

NATIONAL CASA ASSOCIATION

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2015

	Program Services			Supporting Services			Total	
	Training and Technical Assistance	Member and Public Outreach	Grant Activities	Total Program Services	General and Administrative	Fundraising		Total Supporting Services
Grantee disbursements	\$ -	\$ -	\$ 4,805,513	\$ 4,805,513	\$ -	\$ -	\$ -	\$ 4,805,513
Personnel and payroll taxes	1,496,180	643,616	173,779	2,313,575	588,721	102,441	691,162	3,004,737
Contract services	308,779	153,858	3,000	465,637	203,516	66,559	270,075	735,712
Travel and subsistence	94,995	269,485	4,670	369,150	172,253	10,646	182,899	552,049
Program promotion and other	74,469	70,517	13,300	158,286	102,838	847	103,685	261,971
Rent	44,683	42,942	11,133	98,758	136,838	28,628	165,466	264,224
Office supplies and postage	55,995	14,101	191	70,287	98,901	7,018	105,919	176,206
Telephone and toll-free number	46,732	8,481	5,859	61,072	14,777		14,777	75,849
Professional fees					88,213	11,888	100,101	100,101
Printing	11,011	9,878		20,889	2,791		2,791	23,680
Insurance					11,245		11,245	11,245
Total expenses	\$ 2,132,844	\$ 1,212,878	\$ 5,017,445	\$ 8,363,167	\$ 1,420,093	\$ 228,027	\$ 1,648,120	\$ 10,011,287

See Notes to Financial Statements

NATIONAL CASA ASSOCIATION

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2016 and 2015

	2016	2015
Cash Flows from Operating Activities		
Cash received from grants and contributions	\$ 9,071,031	\$ 9,614,386
Cash received from membership dues and conferences	794,019	724,881
Investment income received	10,585	14,176
Cash paid to suppliers	(2,349,506)	(2,191,576)
Cash paid to employees	(2,869,253)	(3,036,111)
Grants paid	(3,681,542)	(5,176,513)
	975,334	(50,757)
Net cash flows from operating activities	975,334	(50,757)
Cash Flows from Investing Activities		
Proceeds from sales of investments		9,247
Purchases of investments (and dividends reinvested)	(5,916)	(11,630)
	(5,916)	(11,630)
Net cash flows from investing activities	(5,916)	(2,383)
Cash Flows from Financing Activities		
Cash receipts on endowment contributions	70,931	
Change in cash restricted for endowment	(65,000)	
	5,931	
Net cash flows from financing activities	5,931	
Net change in cash	975,349	(53,140)
Cash Balance, beginning of year	1,585,120	1,638,260
Cash Balance, end of year	\$ 2,560,469	\$ 1,585,120
Reconciliation of change in net assets to net cash flows from operating activities		
Change in net assets	\$ 391,411	\$ 791,931
Contributions receivable restricted for the endowment		(341,687)
Realized/unrealized loss (gain) on investments	(11,982)	14,719
Changes in operating assets and liabilities		
Receivables	350,504	(122,807)
Prepaid expenses	(8,863)	5,960
Accounts payable and accrued wages and benefits	134,484	(27,873)
Deferred conference revenue	119,780	
Grants payable		(371,000)
	975,334	(50,757)
Net cash flows from operating activities	\$ 975,334	\$ (50,757)

See Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

Note 1. Organization and Significant Accounting Policies

Organization

National CASA Association ("National CASA") is a nonprofit membership organization whose member programs are charged with advocating for the best interest of abused and neglected children in juvenile dependency court. National CASA supports its member organizations in the development, growth, and continuation of programs that recruit and train volunteers to serve as Court-Appointed Special Advocates ("CASA"). CASA volunteers (sometimes called Guardians Ad Litem or GAL volunteers) are appointed by judges to be the independent eyes and ears of the court, watching over and advocating for a child until the child is placed in a safe, permanent home.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from the estimated amounts.

Income Taxes

National CASA is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Financial Statement Presentation

National CASA reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Contributions that are received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Temporarily Restricted Net Assets

Temporarily restricted net assets consist of unexpended contributions restricted for particular purposes. Temporarily restricted net assets are presented as restricted income and are transferred to unrestricted net assets as expenditures are incurred for the restricted purpose. Temporarily restricted net assets listed by funding source consist of the following at December 31:

	<u>2016</u>	<u>2015</u>
Jewelers for Children (Restricted to pass-through grants to CASA programs)	\$ 656,800	\$ 600,000
Kappa Alpha Theta Foundation (Restricted for performance measurement)	299,348	
Toy Industry Foundation (Restricted for advocate training and education, public awareness and collaborative partnerships, and community investments)	200,000	174,273
Akerman Fund (Restricted for local program support and sponsored events)	184,101	276,458
Akerman Fund (Time restricted for general use)	38,164	38,164
Michael Piraino Legacy Fund (Restricted for CEO transition costs)	34,646	34,646
Hearst Foundation (Restricted for training initiatives)	29,796	58,109
Akerman Fund (Restricted for sponsored events)	19,082	19,082
Parks Foundation Fund (Restricted for CEO transition costs)	5,551	5,551
Total	<u>\$ 1,467,488</u>	<u>\$ 1,206,283</u>

Permanently Restricted Net Assets

Permanently restricted net assets consist of the Akerman Scholarship Fund. The balance is expected to be received over the next three years and is included with contributions receivable in Note 2, and endowment net assets in Note 5.

Cash

Cash includes cash in banks and money market funds (except money market accounts classified as investments). National CASA has amounts deposited with a financial institution in excess of federally insured limits. These amounts are used to fund regular operations.

Investments

Investments are measured at fair value, and the change in value is included in the change in net assets. Fair value is defined as an exit price, representing the amount that would be received to sell an asset in an orderly transaction between market participants. The fair value measurement of the investments was determined using Level 1 observable market inputs, within the fair value hierarchy, consisting of quoted prices in active markets for identical assets. Investments consisted of the following at December 31:

	<u>2016</u>	<u>2015</u>
Mutual funds		
Large cap growth	\$ 53,405	\$ 52,623
Large cap blend	52,825	47,709
Foreign large blend	25,093	24,883
World bond	24,134	23,132
World allocation	10,100	10,654
High yield bond	8,206	7,629
Exchange-traded funds		
Intermediate bond	57,058	56,066
Mid-cap value	29,971	25,441
Small-cap value	18,959	14,804
Diversified emerging markets	9,503	8,415
	<u>\$ 289,254</u>	<u>\$ 271,356</u>

Interest and investment income is composed of the following at December 31:

	<u>2016</u>	<u>2015</u>
Interest and dividends	\$ 10,585	\$ 14,176
Realized/unrealized gain (loss) on investments	11,982	(14,719)
	<u>\$ 22,567</u>	<u>\$ (543)</u>

Receivables/Revenue

The receivable from the United States Department of Justice consists of funds that have been earned, but not yet received.

Grant revenues are recognized when expenditures related to the grants are made. Contributions are recognized when the pledge is made. Amounts due from one foundation represented 95% and 84% of the contributions receivable balance at December 31, 2016 and 2015, respectively. Of the total corporate and foundation contributions, 82% were from three foundations in 2016, and 65% were from two foundations in 2015.

Conference fees are recognized when the related conference takes place. Conference fees received prior to the conference taking place are considered deferred conference fees. Membership dues are recognized in the year in which they are invoiced.

National CASA received contributions of \$114,059 from members of National CASA's Board of Directors during the year ended December 31, 2016 (\$119,683 in 2015).

Subsequent Events

National CASA has evaluated subsequent events through the date these financial statements were available to be issued, which was June 23, 2017.

Note 2. Contributions Receivable

Pledges receivable consist of unconditional promises to give. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are initially recorded at fair value, which is measured at present value of the future cash flows. The discounts (if any) on those amounts are computed using a donor-specific discount rate of 3% in 2016 (based on the creditworthiness of the donors and history of collections), and an estimated allowance for doubtful accounts. Amortization of the discount is included in gifts and contributions revenue in the statements of activities. Management determined no allowance for doubtful accounts was necessary at December 31, 2016 or 2015.

	<u>2016</u>	<u>2015</u>
Amounts due in:		
Less than one year	\$ 260,292	\$ 216,348
One to five years, net of present value discount of \$29,772 and \$29,610 for 2016 and 2015, respectively	<u>297,564</u>	<u>591,640</u>
	557,856	807,988
Less: long-term portion	163,776	249,953
Less: contributions receivable restricted for endowment	<u>270,756</u>	<u>341,687</u>
Current portion - contributions receivable	<u>\$ 123,324</u>	<u>\$ 216,348</u>

Note 3. Lease Commitments

National CASA leases office space under two operating leases, which expire on January 31, 2021, and June 30, 2019. Rent expense for 2016 and 2015 was \$313,988 and \$264,224, respectively.

Future minimum rental payments are as follows for the years ending December 31:

2017	\$ 300,721
2018	300,721
2019	244,537
2020	188,352
2021	<u>15,696</u>
	<u>\$ 1,050,027</u>

Note 4. Grant Commitments

National CASA has committed to distribute approximately \$2,500,000 to state CASA organizations between October 1, 2016, and September 30, 2017. National CASA distributed a total of \$266,400 through December 31, 2016s. Funding for this program is received from the United States Department of Justice (Cooperative Agreement) for pass-through grants.

National CASA has committed to distribute approximately \$750,000 to local CASA organizations between January 1, 2017, and December 31, 2017. National CASA has not yet disbursed any funds as of December 31, 2016. Funding for this program is received from the United States Department of Justice (Cooperative Agreement) for pass-through grants.

National CASA has committed to distribute approximately \$520,000 to local CASA organizations between January 1, 2017, and December 31, 2017. National CASA has not yet disbursed any funds as of December 31, 2016. Funding for this program is received from the Jewelers for Children for pass-through grants.

National CASA has committed to distribute approximately \$4,050,000 to local and state CASA organizations between July 1, 2016, and June 30, 2018. National CASA distributed a total of \$839,210 as of December 31, 2016. Funding for this program is received from the United States Department of Justice (Grant) for mentoring pass-through grants.

Note 5. Endowments

National CASA's endowment consists of one donor-restricted fund established to fund scholarships for foster children. As required by accounting principles generally accepted in the United States, net assets associated with endowment funds, including quasi-endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Trustees of National CASA has interpreted the State of Washington Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, National CASA classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, plus (b) the original value of subsequent gifts to the permanent endowment and accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by National CASA in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, National CASA considers the following factors in making a determination to appropriate or accumulate donor-restricted funds:

- The duration and preservation of the endowment fund
- The purposes of National CASA and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation or deflation
- The expected total return from income and the appreciation of investments
- Other resources of National CASA

Endowment net assets at December 31, 2016, consisted of \$65,000 in permanently donor-restricted endowment funds. There were no endowment assets at December 31, 2015, as all assets were held as receivables. The remaining unfunded balance of permanently restricted net assets is expected to be collected over the next three years.

Changes in endowment net assets are as follows for the year ended December 31, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ -	\$ -	\$ -
Contributions			65,000	65,000
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 65,000</u>	<u>\$ 65,000</u>

Return Objectives and Risk Parameters

National CASA has adopted investment and spending policies for endowment assets that are long-term in nature with an investment horizon of at least seven to ten years (once the endowment is fully funded). The long-term objective is to earn a total rate of return that will exceed the demands placed on the portfolio to support National CASA's goals. Endowment assets include those assets of donor-restricted funds that National CASA must hold in perpetuity. Over a three- to five-year period, endowment investments are expected to achieve a total rate of return that compares favorably to specified benchmarks. National CASA expects its endowment funds to provide a rate of return of at least the U.S. Consumer Price Index plus 1% each year.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, National CASA will rely on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). National CASA will target an asset allocation that places a greater emphasis on equity investments, both domestic and international, as well as fixed income and cash equivalents.

Spending Policy and How the Investment Objectives Relate to Spending Policy

National CASA has a policy of appropriating for distribution each year 5% of the previous year's ending balance in the portfolio (once the endowment is fully funded). In establishing this policy, National CASA considered the long-term expected return on its endowment.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires National CASA to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2016.