

**Court Appointed Special Advocates
of Travis County**

Financial Statements
and Independent Auditors' Report
for the year ended December 31, 2018

Court Appointed Special Advocates of Travis County

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Independent Auditors' Report

To the Board of Directors of
Court Appointed Special Advocates of Travis County:

Report on the Financial Statements

We have audited the accompanying financial statements of Court Appointed Special Advocates of Travis County, which comprise the statement of financial position as of December 31, 2018 and the related statements of activities, of functional expenses, and of cash flows for the year 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our 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 auditors' 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 Court Appointed Special Advocates of Travis County as of December 31, 2018 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2019 on our consideration of Court Appointed Special Advocates of Travis County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Court Appointed Special Advocates of Travis County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Court Appointed Special Advocates of Travis County's internal control over financial reporting and compliance.

Blazek & Vetterling

June 25, 2019

Court Appointed Special Advocates of Travis County

Statement of Financial Position as of December 31, 2018

ASSETS

Cash	\$ 1,821,289
Receivables:	
Contributions receivable	359,833
Government grants receivable	295,975
Prepaid expenses and other assets	200,766
Investments (<i>Note 4</i>)	99,597
Property and equipment, net (<i>Note 5</i>)	<u>68,147</u>
TOTAL ASSETS	<u>\$ 2,845,607</u>

LIABILITIES AND NET ASSETS

Liabilities:	
Accounts payable	\$ 31,180
Accrued expenses	63,484
Deferred revenue	<u>133,255</u>
Total liabilities	<u>227,919</u>
Net assets:	
Without donor restrictions (<i>Note 6</i>)	2,279,264
With donor restrictions (<i>Note 7</i>)	<u>338,424</u>
Total net assets	<u>2,617,688</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,845,607</u>

See accompanying notes to financial statements.

Court Appointed Special Advocates of Travis County

Statement of Activities for the year ended December 31, 2018

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Government grants <i>(Note 11)</i>	\$ 1,932,811		\$ 1,932,811
Foundation grants	625,960	\$ 261,500	887,460
Contributions	788,981		788,981
Special events	1,103,589		1,103,589
Direct donor benefit costs	(189,246)		(189,246)
Net investment return	(6,203)		(6,203)
Other income	34,597		34,597
	<u>4,290,489</u>	<u>261,500</u>	<u>4,551,989</u>
Net assets released from restrictions:			
Expiration of time restrictions	513,166	(513,166)	
Program expenditures	<u>161,342</u>	<u>(161,342)</u>	
Total	<u>4,964,997</u>	<u>(413,008)</u>	<u>4,551,989</u>
EXPENSES:			
Program	3,948,544		3,948,544
Management and general	365,943		365,943
Fundraising	<u>620,577</u>		<u>620,577</u>
Total expenses	<u>4,935,064</u>		<u>4,935,064</u>
CHANGES IN NET ASSETS	29,933	(413,008)	(383,075)
Net assets, beginning of year	<u>2,249,331</u>	<u>751,432</u>	<u>3,000,763</u>
Net assets, end of year	<u>\$ 2,279,264</u>	<u>\$ 338,424</u>	<u>\$ 2,617,688</u>

See accompanying notes to financial statements.

Court Appointed Special Advocates of Travis County

Statement of Functional Expenses for the year ended December 31, 2018

	<u>PROGRAM</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
Salaries and benefits	\$ 3,199,600	\$ 284,761	\$ 470,646	\$ 3,955,007
Rent and utilities	235,449	20,955	34,633	291,037
Professional fees	62,630	28,386	33,402	124,418
Travel	107,250	189	7,210	114,649
Computer supplies and support	58,104	5,171	8,547	71,822
Supplies	62,699	1,879	4,655	69,233
Insurance	35,323	3,144	5,196	43,663
Marketing	34,656		8,453	43,109
Small equipment	31,329	2,788	4,608	38,725
Equipment rental and maintenance	27,059	2,408	3,980	33,447
Training	23,068	1,121	1,849	26,038
Bank and credit card fees		7,288	17,686	24,974
Depreciation	17,111	1,523	2,517	21,151
Client assistance	16,608			16,608
Telephone	9,869	878	1,452	12,199
Printing and publications	1,784	74	9,234	11,092
Dues and subscriptions	7,904	703	1,163	9,770
Postage and shipping	1,685	370	3,082	5,137
Other	<u>16,416</u>	<u>4,305</u>	<u>2,264</u>	<u>22,985</u>
Total expenses	<u>\$ 3,948,544</u>	<u>\$ 365,943</u>	<u>\$ 620,577</u>	<u>\$ 4,935,064</u>

See accompanying notes to financial statements.

Court Appointed Advocates of Travis County

Statement of Cash Flows for the year ended December 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES:

Changes in net assets	\$ (383,075)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation	21,151
Unrealized and realized (gain) loss on investments	7,866
Changes in operating assets and liabilities:	
Receivables	452,546
Prepaid expenses and other assets	(19,259)
Accounts payable and accrued expenses	6,499
Deferred rent	
Deferred revenue	<u>40,354</u>
Net cash provided by operating activities	<u>126,082</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchases of investments	<u>(25,000)</u>
NET CHANGE IN CASH	101,082
Cash, beginning of year	<u>1,720,207</u>
Cash, end of year	<u>\$ 1,821,289</u>

See accompanying notes to financial statements.

Court Appointed Special Advocates of Travis County

Notes to Financial Statements for the year ended December 31, 2018

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization – Court Appointed Special Advocates of Travis County (CASA), a Texas nonprofit corporation, was established in May 1985. CASA promotes and protects the best interest of children who have been abused or neglected, by training volunteers to advocate for them in courts, in schools and in the community to help them find safe, permanent and loving homes.

Federal income tax status – CASA is exempt from federal income tax under §501(c)(3) of the Internal Revenue Code and is classified as a public charity under §509(a)(1) and §170(b)(1)(A)(vi).

Cash includes approximately \$1.25 million subject to an Expanded Bank Deposit Sweep program, whereby balances are held in multiple banks in increments of approximately \$250,000 for purposes of coverage under the Federal Deposit Insurance Corporation (FDIC) program. Participating banks reserve the right to require seven days' prior notice of withdrawal. At times, bank deposits not subject to the Expanded Bank Deposit Sweep program exceed the federally insured limit per depositor per institution.

Contributions receivable that are expected to be collected within one year are reported at net realizable value. Amounts expected to be collected in more than one year are discounted to estimate the present value of future cash flows. At December 31, 2018, all contributions receivable are expected to be collected within one year.

Allowance for uncollectible receivables – An allowance for uncollectible receivables is provided when it is believed balances may not be collected in full. The amount of bad debt expense or loss on receivables recognized each period and the resulting adequacy of the allowance at the end of each period are determined using a combination of historical loss experience and analysis of individual balances. It is possible that management's estimates regarding the collectability of the balances will change in the near term resulting in a change in the carrying value of these receivables.

Investments are reported at fair value. Net investment return consists of interest and dividends, realized and unrealized gains and losses, net of external and direct internal investment expenses.

Property and equipment is reported at cost, if purchased, or at fair value at the date of gift, if donated. Depreciation is calculated using the straight-line method over estimated useful lives of 3 to 7 years. CASA capitalizes additions and improvements that have a tangible future economic life and cost of more than \$2,000.

Net asset classification – Net assets, gains, and losses are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Net assets without donor restrictions* are not subject to donor-imposed restrictions even though their use may be limited in other respects such as by contract or board designation.
- *Net assets with donor restrictions* are subject to donor-imposed restrictions. Restrictions may be temporary in nature, such as those that will be met by the passage of time or used for a purpose specified by the donor, or may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Net assets are released from restrictions when the stipulated time has elapsed, or purpose has been fulfilled, or both.

Government grants are recognized when the related services are provided.

Contributions are recognized at fair value when an unconditional commitment is received from the donor. Conditional contributions are recognized in the same manner when the conditions are substantially met.

Special events revenue is recognized when the event occurs. Amounts received for future events represent conditional contributions and are reported in the statement of financial position as deferred revenue until earned. Direct donor benefit costs represent the cost of goods and services provided to attendees of special events.

Functional allocation of expenses – Expenses are reported by their functional classification as program services or supporting activities. Program services are the direct conduct or supervision of activities that fulfill the purposes for which the organization exists. Fundraising activities include the solicitation of contributions of money, securities, materials, facilities, other assets, and time. Management and general activities are not directly identifiable with specific program or fundraising activities. Expenses that are attributable to one or more programs or supporting activities are allocated among the activities benefitted. Salaries and related costs are allocated on the basis of estimated time and effort expended. All other allocable costs are allocated on salary allocation.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts reported as revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

NOTE 2 – ADOPTION OF ACCOUNTING STANDARDS UPDATE 2016-14

CASA adopted the amendments of Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, as of and for the year ended December 31, 2018. Adoption of this ASU resulted in reclassification of net assets as of December 31, 2017, but had no impact on total net assets.

NOTE 3 – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2018 comprise the following:

Financial assets at December 31, 2018:	
Cash and cash equivalents	\$ 1,821,289
Government grants receivable	295,975
Contributions receivable	359,833
Investments	<u>99,597</u>
Total financial assets	<u>2,576,694</u>
Less financial assets not available for general expenditure:	
Board-designated endowment investments	99,597
Board-designated operating reserve	1,238,985
Cash restricted for capital additions	<u>7,351</u>
Total financial assets available for general expenditure	<u>\$ 1,230,761</u>

For purposes of analyzing resources available to meet general expenditures over a 12-month period, CASA considers all expenditures related to its mission and ongoing activities, as well as all expenditures made toward functions that support those activities, to be general expenditures.

The Chief Executive Officer is authorized by the Board of Directors to access and withdraw funds from the reserve account necessary to meet emergency needs, including but not limited to, an operating shortfall affecting payroll, rent or other essential items, due to timing of grant payments, unexpected or unavoidable losses in anticipated funding, or other emergencies.

NOTE 4 – FAIR VALUE OF INVESTMENTS

Generally accepted accounting principles require that certain assets and liabilities be reported at fair value and establish a hierarchy that prioritizes inputs used to measure fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The three levels of the fair value hierarchy are as follows:

- *Level 1* – Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the reporting date.
- *Level 2* – Inputs are other than quoted prices included in Level 1, which are either directly observable or can be derived from or corroborated by observable market data at the reporting date.
- *Level 3* – Inputs are not observable and are based on the reporting entity’s assumptions about the inputs market participants would use in pricing the asset or liability.

CASA invests in pooled investments at Austin Community Foundation (ACF), which allow it to invest in a large portfolio of assets with many other investors attempting to reduce risk. Such pooled investments are considered a Level 3 investment because pricing inputs are not observable.

Assets measured at fair value at December 31, 2018 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Interest in assets of ACF	<u> </u>	<u> </u>	\$ 99,597	\$ 99,597
Total assets measured at fair value	\$ <u> 0</u>	\$ <u> 0</u>	\$ <u>99,597</u>	\$ <u>99,597</u>

Interest in assets of ACF is valued at the fair value as provided by ACF, based on the fair value of the underlying investments. This valuation method may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while CASA believes its valuation method is appropriate, the use of different methods or assumptions could result in a different fair value measurement at the reporting date.

Changes in the fair value of Level 3 assets consist of the following:

Balance at January 1, 2018	\$ 82,463
Purchases	25,000
Net depreciation in fair value of interest in assets of ACF	<u>(7,866)</u>
Balance at December 31, 2018	<u>\$ 99,597</u>

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2018 consists of the following:

Furniture and fixtures	\$ 93,995
Computer equipment	19,604
Leasehold improvements	17,840
Software	<u>15,916</u>
Total property and equipment, at cost	147,355
Accumulated depreciation	<u>(79,208)</u>
Property and equipment, net	<u>\$ 68,147</u>

NOTE 6 – NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions at December 31, 2018 consist of the following:

Undesignated	\$ 872,535
Property and equipment, net	68,147
Board-designated endowment	99,597
Board-designated operating reserve	<u>1,238,985</u>
Total net assets without donor restrictions	<u>\$ 2,279,264</u>

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2018 are restricted as follows:

Subject to expenditure for specified purpose:	
Diversity volunteer recruitment	\$ 71,695
Advocacy program manager	21,508
Capital expenditures	7,349
Client assistance	<u>6,956</u>
Total subject to expenditure for specified purpose	107,508
Subject to passage of time:	
Contributions receivable that are not restricted by donors, but which are unavailable for expenditures until due	<u>230,916</u>
Total net assets with donor restrictions	<u>\$ 338,424</u>

NOTE 8 – ENDOWMENT FUNDS

CASA’s endowment consists of a board-designated fund to support programs and is invested at ACF.

Return Objective and Risk Parameters

The current investment policy and investment objective of CASA is preservation of capital while maintaining an investment yield reasonable for the current environment. The investment pool is a diversified portfolio of fixed income, large cap, small cap and international and alternative strategy investment vehicles which are managed by investment managers. These assets are intended to maximize the investment yield at the lowest level of risk.

Spending Policy

The spending policy allowed a maximum of up to 5% of the 20-quarter average of the endowment to be available for distribution until December 31, 2017. As of January 1, 2018, the maximum withdrawal has been changed to 4%.

Changes in endowment net assets are as follows:

	BOARD- DESIGNATED <u>ENDOWMENT</u>
Endowment net assets, January 1, 2018	\$ 82,463
Contributions	25,000
Net investment return	<u>(7,866)</u>
Endowment net assets, December 31, 2018	<u>\$ 99,597</u>
Endowment net asset composition as of December 31, 2018:	
Board-designated endowment funds	<u>\$ 99,597</u>
Endowment net assets	<u>\$ 99,597</u>

NOTE 9 – COMMITMENTS AND CONTINGENCIES

CASA receives government grants that require fulfillment of certain conditions as set forth in the grant contracts and are subject to review and audit by the awarding agencies. Such reviews and audits could result in discovery of unallowable activities and unallowable costs. Consequently, any of the funding sources may, at their discretion, request reimbursement for expenses or return of funds as a result of noncompliance by CASA with the terms of the contracts. Management believes such disallowances, if any, would not be material to CASA’s financial position or changes in net assets.

NOTE 10 – OPERATING LEASE

CASA leases office space under a non-cancelable lease. Future minimum lease commitments are as follows:

2019	\$ 333,749
2020	340,085
2021	345,521
2022	381,713
2023	359,093
Thereafter	<u>457,490</u>
Total	<u>\$ 2,217,651</u>

NOTE 11 – RETIREMENT PLAN

Substantially all employees are covered by a Simplified Employee Pension defined contribution plan. Employees are eligible to participate in the plan after one year of service if they are at least 21 years of age. CASA contributes 5% of each eligible employee's salary. CASA contributed \$124,988 to the plan during 2018 and \$95,317 to the plan during 2017.

NOTE 12 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 25, 2019, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.
