

CASA OF THE PIKES PEAK REGION, INC.

Financial Statements

For the Year Ended June 30, 2017

And

Independent Auditors' Report

CASA OF THE PIKES PEAK REGION, INC.

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INDEPENDENT AUDITORS' REPORT

Board of Directors
CASA of the Pikes Peak Region, Inc.

We have audited the accompanying financial statements of CASA of the Pikes Peak Region, Inc. which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses and 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. 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 of the Pikes Peak Region, Inc. as of June 30, 2017, 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 on Summarized Comparative Information

We have previously audited CASA of the Pikes Peak Region, Inc.'s 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 21, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Stockman Kast Ryan & Co., LLP

October 4, 2017

CASA OF THE PIKES PEAK REGION, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2017 (with comparative totals for 2016)

	2017	2016
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,143,856	\$ 275,683
Grants receivable	88,514	98,318
Pledges receivable, net	152,032	134,162
Accounts receivable		5,302
Prepaid expenses	<u>37,695</u>	<u>19,022</u>
Total current assets	1,422,097	532,487
INVESTMENTS	656,814	545,324
PLEDGES RECEIVABLE, NET	37,970	67,543
PROPERTY AND EQUIPMENT	<u>76,462</u>	<u>769,578</u>
TOTAL ASSETS	<u>\$ 2,193,343</u>	<u>\$ 1,914,932</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 68,944	\$ 49,878
Accrued liabilities	45,526	41,597
Deferred revenue	4,029	
Current portion of capital lease obligation	<u>1,585</u>	<u></u>
Total liabilities	120,084	91,475
CAPITAL LEASE OBLIGATION	<u>14,038</u>	<u></u>
Total liabilities	<u>134,122</u>	<u>91,475</u>
NET ASSETS		
Unrestricted:		
Available for operations	1,446,584	1,218,626
Board designated for Endowment	143,604	129,613
Temporarily restricted	342,498	357,183
Permanently restricted	<u>126,535</u>	<u>118,035</u>
Total net assets	<u>2,059,221</u>	<u>1,823,457</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,193,343</u>	<u>\$ 1,914,932</u>

See notes to financial statements.

CASA OF THE PIKES PEAK REGION, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2017 (with comparative totals for 2016)

	2017			Total	2016 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
REVENUE					
Contributions and private grants	\$ 732,992	\$ 59,696		\$ 792,688	\$ 727,396
Government grants	621,135			621,135	677,803
Light of Hope event	148,346	268,371		416,717	334,325
Program service fees	312,883			312,883	193,759
Investment income (loss)	35,891	15,156		51,047	(14,834)
Circle of Impact events (net of expenses of \$2,668 in 2017 and \$12,773 in 2016)	25,438	51,314	\$ 8,500	85,252	48,463
Gain on sale of property and equipment	155,482			155,482	
Net assets released from restriction	409,222	(409,222)			
Total	2,441,389	(14,685)	8,500	2,435,204	1,966,912
EXPENSES					
Program services					
Children's advocacy program	1,800,479			1,800,479	1,743,527
Supporting services					
Fundraising	263,259			263,259	225,440
General and administrative	135,702			135,702	128,120
Total supporting services	398,961	—	—	398,961	353,560
Total	2,199,440	—	—	2,199,440	2,097,087
CHANGE IN NET ASSETS	241,949	(14,685)	8,500	235,764	(130,175)
NET ASSETS, Beginning of year	1,348,239	357,183	118,035	1,823,457	1,953,632
NET ASSETS, End of year	\$ 1,590,188	\$ 342,498	\$ 126,535	\$ 2,059,221	\$ 1,823,457

See notes to financial statements.

CASA OF THE PIKES PEAK REGION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2017 (with comparative totals for 2016)

	2017				2016 Total
	Program Services	Supporting Services		Total	
		Fundraising	General and Administrative		
Salaries and related costs	\$ 1,348,990	\$ 121,014	\$ 76,994	\$ 1,546,998	\$ 1,553,034
Professional fees	101,372	15,024	3,598	119,994	87,152
Light of Hope		56,613		56,613	54,620
Utilities	45,246	3,435	3,921	52,602	46,671
Advertising	36,433	3,469	6,734	46,636	61,527
Volunteer maintenance	39,072	2,752	557	42,381	25,805
In-kind expenses	17,403	643	18,795	36,841	13,048
Equipment repairs and maintenance	28,600	3,591	1,407	33,598	26,641
Milton Foster Childrens Fund expense	31,083			31,083	19,114
Bad debt		28,551		28,551	
Depreciation	24,387	2,347	1,660	28,394	31,619
Insurance	22,340	2,067	1,563	25,970	21,509
Rent	23,988	311	588	24,887	24,459
Building repairs and maintenance	17,724	1,621	1,133	20,478	21,336
Moving expenses			14,486	14,486	
Office supplies	12,161	1,134	437	13,732	14,304
Bank charges	9,797	1,380	188	11,365	8,543
Postage and printing	9,047	695	254	9,996	13,554
Dues and publications	8,260	818	785	9,863	9,747
Licenses and fees	7,033	1,351	1,304	9,688	6,495
Travel	7,137	376	198	7,711	9,351
Donor appreciation		7,239		7,239	6,680
Business meetings	5,097	698	720	6,515	3,747
Fall campaign and mail appeals		5,938		5,938	7,048
Annual report	1,917	175	92	2,184	
Indy Give		1,602		1,602	1,224
Contract service					21,649
Cleaning					3,438
Newsletter					1,694
Other	3,392	415	288	4,095	3,078
TOTAL	\$ 1,800,479	\$ 263,259	\$ 135,702	\$ 2,199,440	
PERCENTAGE	82%	12%	6%	100%	
TOTAL - 2016	\$ 1,743,527	\$ 225,440	\$ 128,120		\$ 2,097,087
PERCENTAGE - 2016	83%	11%	6%		100%

See notes to financial statements.

CASA OF THE PIKES PEAK REGION, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2017 (with comparative totals for 2016)

	2017	2016
OPERATING ACTIVITIES		
Change in net assets	\$ 235,764	\$ (130,175)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	28,394	31,619
Gain on sale of property and equipment	(155,482)	
Net unrealized and realized (gain) losses on investments	(33,475)	30,102
Changes in operating assets and liabilities:		
Prepaid expenses	(18,673)	(677)
Deferred revenue	4,029	
Accounts receivable	5,302	3,525
Grants receivable	9,804	63,889
Pledges receivable	11,703	87,997
Accounts payable and accrued liabilities	<u>22,995</u>	<u>25,393</u>
Net cash provided by operating activities	<u>110,361</u>	<u>111,673</u>
INVESTING ACTIVITIES		
Purchases of investments	(749,001)	(148,719)
Proceeds from sales of investments	670,986	84,259
Purchases of property and equipment	(50,502)	
Proceeds from sale of property and equipment	<u>886,352</u>	<u> </u>
Net cash provided by (used in) investing activities	<u>757,835</u>	<u>(64,460)</u>
FINANCING ACTIVITIES		
Principal payments on capital lease obligations	<u>(23)</u>	<u> </u>
Net cash used in financing activities	<u>(23)</u>	<u>—</u>
INCREASE IN CASH AND CASH EQUIVALENTS	868,173	47,213
CASH AND CASH EQUIVALENTS, Beginning of year	<u>275,683</u>	<u>228,470</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 1,143,856</u>	<u>\$ 275,683</u>
NON-CASH INVESTING ACTIVITY		
Equipment acquired under capital lease	<u>\$ 15,646</u>	

See notes to financial statements.

CASA OF THE PIKES PEAK REGION, INC.

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations — CASA of the Pikes Peak Region, Inc. (CASA) was incorporated on October 27, 1988 as a non-profit organization that was established to help abused and neglected children in crisis who are under the care and protection of the juvenile court. As an advocate for these children, CASA works through the use of trained, citizen volunteers appointed by the juvenile court to assure each child has a safe, permanent home as expediently as possible. The volunteers work with individual children to represent their needs and interests. CASA services are provided in El Paso and Teller Counties covering the fourth Judicial District.

Within the Dependency and Neglect program (D&N) CASA supports efforts for abused victims through the following initiatives:

- *Life Long Links (LLL)* – LLL program conducts nationwide searches for, and interviews of, family members and other important people to ensure that foster children have continuity in relationships, information about their families and long-term connections for the future and possible permanent placements.
- *Fostering Futures* – Fostering Futures is a curriculum developed by the national Court Appointed Special Advocate Association that focuses on improving outcomes for older and emancipating youth (14-21 years of age) served by CASA volunteers.
- *Peer Coordinated Model (PCM)* – Peer Coordinators are experienced advocates who take on the role of coach and mentor to other Advocates, adding another level of volunteer leadership to the organization and helping CASA build capacity to serve all children in need.

CASA programs also include:

- *Supervised Exchange & Parenting Time (SEPT)* – SEPT is a court-ordered service to protect children from witnessing high conflict parental disputes.
- *Children & Families in Transition (CFIT)* – CFIT educates parents about the effects of divorce on children.
- *Milton Foster Children's Fund (MFCF)* – MFCF provides foster children with opportunities not funded through existing agencies or programs allowing them to be nurtured, educated and enriched just like other children and grow into healthy, contributing adults.

The Hanger Project, a MFCF program, is a store with used clothing and accessories for adolescents in foster care. The adolescents may select five items per month. The teens also work in the store and learn job skills. CASA offers weekend classes on life skills and jobs/career building to strengthen their opportunities as they move toward adulthood.

Basis of Presentation — The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with generally accepted accounting principles of the United States of America (GAAP) and are presented on the basis of unrestricted, temporarily restricted, and permanently restricted net assets. Unrestricted net assets represent the expendable resources that are available for operations at management's discretion and include funds functioning as endowment through designation by the Board. Temporarily restricted net assets are those whose use by CASA has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by CASA in perpetuity.

The financial statements include certain prior-year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with CASA's financial statements for the year ended June 30, 2016, from which the summarized information was derived.

Cash and Cash Equivalents – CASA considers all liquid investments with original maturities of three months or less, and which are not held for investment purposes, to be cash equivalents. Cash and highly liquid financial instruments held for investment purposes, regardless of original length to maturity, are reported as investments and excluded from this definition.

Grants Receivable — Grants receivable are stated at unpaid balances. CASA considers its grants receivable to be fully collectible as of June 30, 2017 and 2016; accordingly, no allowance for doubtful accounts is considered necessary. The delinquency and collectability of receivables is determined on a case by case basis and receivables are charged to bad debt expense when determined to be uncollectable.

Pledges Receivable – Pledges receivable consist of unconditional promises to give that are expected to be collected in current and future periods. Pledges expected to be collected within one year are recorded at their estimated net realizable values. Pledges receivable expected to be collected in more than one year are recorded at the present value of their estimated future cash flows, computed using risk-adjusted interest rates. Amortization of the discount is included in contribution revenue. Pledges receivable are reported as either temporarily restricted or permanently restricted support unless the donor stipulations or circumstances surrounding the pledge make clear the donor intended it to be used to support activities in the current period. Management provides for probable uncollectable amounts through an allowance for uncollectable pledges receivable based on an assessment of the current status of individual receivables. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Investments and Investment Return — Investments are carried at fair value in the statement of financial position. Investments in money market funds and mutual funds are measured at quoted prices in active markets. Net investment return consists of interest and dividend income and the realized and unrealized gains and losses on the investments, less investment management and custodial fees. Earnings on restricted investments are reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the earnings are recognized. All other earnings on donor restricted investments are recognized as an increase in temporarily restricted net assets according to the nature of the restrictions on the original gift. See Note 4 for additional information on fair value measurements.

Property and Equipment —Property and equipment are recorded at cost. Acquisitions in excess of \$5,000 are capitalized. Depreciation is provided on a straight-line basis over the estimated useful lives

of the assets, which range from 5 – 40 years. Cost of repairs and maintenance, which do not materially prolong the useful lives of the assets, are charged to expense when incurred.

Revenue Recognition — Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a donor restriction is met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Program service fees and other period related revenues are recognized in the period to which they relate.

Donated Services and Materials — Donated services and materials are recorded as both a revenue and expenditure in the accompanying statements of activities at their estimated values. Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donations.

During the years ended June 30, 2017 and 2016, CASA received contributed merchandise of \$15,072 and \$6,966, respectively, which was recognized as contribution revenue.

Additionally, numerous volunteers donate their time to the Organization's programs; no value has been reported in the financial statements as revenue or expense for this time.

Functional Allocation of Expense — The costs of providing various program and supporting services 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.

Use of Estimates — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Income Taxes — CASA is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, CASA qualifies for the charitable contribution deduction and has been classified as an organization other than a private foundation.

CASA believes that it does not have any uncertain tax positions that are material to the financial statements. Tax years that remain subject to examination include 2014 through the current period.

Subsequent Events — CASA has evaluated subsequent events for recognition or disclosure through the date of the Independent Auditors' Report, which is the date the financial statements were available for issuance.

2. PLEDGES RECEIVABLE

CASA has received unconditional pledges from the Light of Hope fundraising event which raises funds for general operating purposes. Unconditional pledges receivable at June 30 are as follows:

	2017	2016
Receivable in one year	\$ 185,954	\$ 170,432
Receivable in two to five years	<u>40,190</u>	<u>71,370</u>
Total	226,144	241,802
Less discount to net present value	2,220	3,827
Less allowance for uncollectible pledges receivable	<u>33,922</u>	<u>36,270</u>
Total	<u>\$ 190,002</u>	<u>\$ 201,705</u>

3. CONDITIONAL PLEDGE RECEIVABLE

CASA received a \$20,000 pledge in 2015 which was conditional upon CASA holding its Light of Hope fundraising event in 2016 and 2017. The pledge was due in \$10,000 installments upon holding each event. CASA received \$10,000 in each year for holding its Light of Hope fundraising event in 2017 and 2016, respectively.

4. INVESTMENTS AND FAIR VALUE MEASUREMENTS

CASA is required to use a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access.

Level 2: Prices determined using significant other observable inputs. Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Prices determined using significant unobservable inputs.

The investment's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following table sets forth by level, within the fair value hierarchy, CASA's financial instruments at fair value as of June 30:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2017:				
Cash and money market funds	\$ 10,026	\$ 10,026		
Mutual funds:				
Domestic equity	274,785	274,785		
Fixed income	206,686	206,686		
International equity	145,100	145,100		
Real estate	<u>20,217</u>	<u>20,217</u>		
Total	<u>\$ 656,814</u>	<u>\$ 656,814</u>	<u>\$ —</u>	<u>\$ —</u>
2016:				
Cash and money market funds	\$ 41,081	\$ 41,081		
Mutual funds:				
Domestic equity	188,490	188,490		
International equity	161,027	161,027		
Fixed income	125,673	125,673		
Real estate	<u>29,053</u>	<u>29,053</u>		
Total	<u>\$ 545,324</u>	<u>\$ 545,324</u>	<u>\$ —</u>	<u>\$ —</u>

Investment income (loss) consisted of the following for the years ended June 30:

	2017	2016
Interest and dividends	\$ 17,572	\$ 15,268
Realized and unrealized losses	<u>33,475</u>	<u>(30,102)</u>
Net investment income (loss)	<u>\$ 51,047</u>	<u>\$ (14,834)</u>

6. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	2017	2016
Equipment and software	\$ 176,730	\$ 182,010
Work in progress	41,300	
Building and building improvement		910,713
Land		<u>105,000</u>
Total	218,030	1,197,723
Less accumulated depreciation	<u>141,568</u>	<u>428,145</u>
Property and equipment, net	<u>\$ 76,462</u>	<u>\$ 769,578</u>

7. ENDOWMENT FUNDS

The Organization's endowment funds consist of unrestricted funds functioning as endowment through designations by the Board of the Organization and donor restricted endowment funds. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors and the Circle of Impact to function as endowments, are classified as reported based on the existence or absence of donor-imposed restrictions.

The State of Colorado has adopted an investment policy based on the Uniform Prudent Management of Institutional Funds Act (UPMIFA). CASA has interpreted 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, CASA classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, and (b) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time of accumulation is added to the fund. The remaining portion of the donor-restricted endowment funds that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by CASA in a manner consistent with the standard of prudence prescribed by UPMIFA.

The Board has the ability to utilize the endowment funds in emergency situations. In order to spend these resources, 80% approval of the Board is required.

Endowment Net Asset Composition by Type of Fund as of June 30, 2017 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds		\$ 37,928	\$ 126,535	\$ 164,463
Board-designated endowment funds	<u>\$ 143,604</u>	<u> </u>	<u> </u>	<u>143,604</u>
Total funds	<u>\$ 143,604</u>	<u>\$ 37,928</u>	<u>\$ 126,535</u>	<u>\$ 308,067</u>

Changes in Endowment Net Assets for the year ended June 30, 2017 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 129,613	\$ 22,772	\$ 118,035	\$ 270,420
Investment return:				
Net investment income	13,991	15,156		29,147
Contributions	<u> </u>	<u> </u>	<u>8,500</u>	<u>8,500</u>
Endowment net assets, end of year	<u>\$ 143,604</u>	<u>\$ 37,928</u>	<u>\$ 126,535</u>	<u>\$ 308,067</u>

Endowment Net Asset Composition by Type of Fund as of June 30, 2016 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds		\$ 22,772	\$ 118,035	\$ 140,807
Board-designated endowment funds	<u>\$ 129,613</u>	<u> </u>	<u> </u>	<u>129,613</u>
Total funds	<u>\$ 129,613</u>	<u>\$ 22,772</u>	<u>\$ 118,035</u>	<u>\$ 270,420</u>

Changes in Endowment Net Assets for the year ended June 30, 2016 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 135,746	\$ 29,156	\$ 113,235	\$ 278,137
Investment return:				
Net investment loss	(6,133)	(6,384)		(12,517)
Contributions	<u> </u>	<u> </u>	<u>4,800</u>	<u>4,800</u>
Endowment net assets, end of year	<u>\$ 129,613</u>	<u>\$ 22,772</u>	<u>\$ 118,035</u>	<u>\$ 270,420</u>

2017 **2016**

Permanently Restricted Net Assets

The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA

\$ 126,535 \$ 118,035

Temporarily Restricted Net Assets

The portion of perpetual endowment funds subject to a time restriction under UPMIFA:
Without purpose restriction

\$ 37,928 \$ 22,772

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 CASA to retain as a fund of perpetual duration. No such deficiency existed as of June 30, 2017 and 2016.

CASA has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that CASA must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy the endowment assets are invested in a manner that is intended to produce maximum results while assuming a moderate level of investment risk. CASA expects its endowment funds, over time, to provide a rate of return sufficient to keep pace with the rate of inflation. Actual returns in any given year may vary from this amount.

CASA currently has a policy that suspends distribution from these funds to allow the fund to grow to a balance of \$1,000,000. In establishing this policy, CASA considered the long-term expected return on its endowment. This is consistent with CASA's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

8. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at June 30:

	2017	2016
Time restriction	\$ 190,002	\$ 201,705
Foster care children's fund	104,054	128,790
Endowment	37,928	22,772
Capital campaign	8,014	
Dependency and neglect	<u>2,500</u>	<u>3,916</u>
Total	<u>\$ 342,498</u>	<u>\$ 357,183</u>

9. LINE OF CREDIT AGREEMENT

CASA has a \$100,000 line of credit agreement with a commercial bank. The line of credit bears interest at 2.0% over prime and automatically renews with the consent of both parties each year. At June 30, 2017 and 2016 there were no outstanding borrowings under the line of credit agreement.

10. EMPLOYEE BENEFIT PLAN

CASA has a simple IRA plan for its employees in which CASA matches employee contributions up to 3% of salaries. Employer contributions amounted to \$20,194 and \$21,525 for the years ended June 30, 2017 and 2016, respectively.

11. OPERATING LEASES

CASA has various leases for a copier and office space with varying expirations through 2020. Rent expense under these leases for the years ended June 30, 2017 and 2016 was \$6,240 and \$10,878, respectively. As of June 30, 2017, future minimum lease payments under these operating leases are as follows:

2018	\$ 5,742
2019	5,244
2020	<u>2,185</u>
Total minimum lease payments	<u>\$ 13,171</u>

12. CAPITAL LEASE

CASA leases certain equipment under capital lease agreements. Equipment acquired under capital leases is recorded at a cost of \$15,646. No depreciation has been recognized on the equipment at June 30, 2017.

Minimum future lease payments under capital leases as of June 30, 2017 are as follows:

2018	\$ 2,112
2019	4,694
2020	4,694
2021	4,694
2022	<u>4,303</u>
Total minimum lease payments	20,497
Less amount representing interest	<u>4,874</u>
Present value of capitalized lease obligations	15,623
Less current maturities	<u>1,585</u>
Long term portion of capital lease obligations	<u>\$ 14,038</u>

13. CONCENTRATIONS, RISKS AND UNCERTAINTIES

CASA maintains its cash and cash equivalents in bank deposit accounts which, at times, exceed federally insured limits.

CASA has investments in money market accounts and mutual funds which it has placed with an investment management company. CASA invests in investment securities which are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that change in the values of investments will occur in the near term and that such changes could materially affect the recorded amount of investments in CASA's financial statements.

14. RELATED PARTY TRANSACTIONS

For the years ended June 30, 2017 and 2016, contributions from members of the Board of Directors were \$67,265 and \$48,255, respectively.

15. SUBSEQUENT EVENTS

Subsequent to year end, CASA purchased a building for \$1,200,000. CASA entered into two promissory notes to a bank for the purchase of this building. The first promissory note, is in the amount of \$602,761. As of the date of the report CASA has borrowed \$235,910 of the available loan balance on this note. Additional funds may be used for remodeling costs as CASA determines necessary. Interest only payments of 4.50% are due monthly for 24 months, starting July 2017. Principal and interest payments of 4.50% are then due monthly for 36 months.

After that, principal and interest payments based on the Federal Home Loan Bank 5-Year Advance Rate plus 2.75%, adjusting every five years, are due monthly until the note matures in July 2037.

The second promissory note is a revolving credit agreement in the amount of \$100,000. Interest only payments of the prime rate plus 2.00%, with a floor of 5.50%, adjusting as the prime rate adjusts, are due monthly for 12 months. No amounts have been drawn on this promissory note. The note can be renewed annually. The notes are secured by real property.