

**CASA for Kids of East Texas, Inc.**

**Financial Statements Together  
With Auditors' Report**

**December 31, 2014 and 2013**

**CASA for Kids of East Texas, Inc.**  
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**December 31, 2014 and 2013**

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
CASA for Kids of East Texas, Inc.  
Tyler, Texas

### Report on the Financial Statements

We have audited the accompanying financial statements of CASA for Kids of East Texas, Inc. (a nonprofit organization) (Organization) which comprise the statements of financial position as of December 31, 2014 and 2013, 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 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 audits. We conducted our audits 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 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 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.

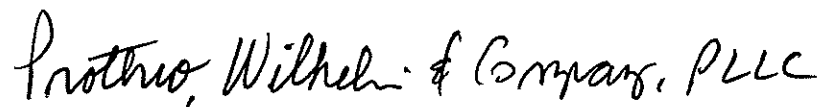
PROTHRO, WILHELM AND COMPANY, PLLC  
CERTIFIED PUBLIC ACCOUNTANTS

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2014 and 2013, and the changes in its net assets, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 11, 2015, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is 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 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 the Organization's internal control over financial reporting and compliance.



PROTHRO, WILHELMI AND COMPANY, PLLC

Tyler, Texas  
August 11, 2015

**CASA for Kids of East Texas, Inc.**  
**Statements of Financial Position**  
**December 31, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 397,074	\$ 364,435
Grants receivable	40,808	40,402
Total current assets	<u>437,882</u>	<u>404,837</u>
Restricted cash	25,601	-
Property and equipment, net	<u>75,521</u>	<u>82,207</u>
Total assets	<u><u>\$ 539,004</u></u>	<u><u>\$ 487,044</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accrued expenses	\$ 124	\$ 40
Deferred revenue	25,601	5,000
Current portion - note payable building	43,556	9,513
Total current liabilities	<u>69,281</u>	<u>14,553</u>
Non-current liabilities:		
Compensated absences	12,465	12,724
Notes payable	-	45,262
Total non-current liabilities	<u>12,465</u>	<u>57,986</u>
Total liabilities	<u>81,746</u>	<u>72,539</u>
Net assets:		
Unrestricted net assets:		
Operations	425,293	387,073
Investment in property and equipment, net of related debt	31,965	27,432
Total unrestricted net assets	<u>457,258</u>	<u>414,505</u>
Total net assets	<u>457,258</u>	<u>414,505</u>
Total liabilities and net assets	<u><u>\$ 539,004</u></u>	<u><u>\$ 487,044</u></u>

**CASA for Kids of East Texas, Inc.**  
**Statement of Activities**  
**For the year ended December 31, 2014**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>			
Contributions	\$ 121,876	\$ -	\$ 121,876
Grants	-	345,191	345,191
Special events, net of direct expenses of \$7,424	115,211	-	115,211
Interest	4,428	-	4,428
Other income	2,751	-	2,751
Net assets released from restrictions	345,191	(345,191)	-
	<u>589,457</u>	<u>-</u>	<u>589,457</u>
Total support, revenues, and reclassifications			
<b>EXPENSES</b>			
Program services	465,070	-	465,070
Management and general	29,234	-	29,234
Fundraising	52,400	-	52,400
Total expenses	<u>546,704</u>	<u>-</u>	<u>546,704</u>
Change in net assets	42,753	-	42,753
<b>NET ASSETS, beginning of year</b>	<u>414,505</u>	<u>-</u>	<u>414,505</u>
<b>NET ASSETS, end of year</b>	<u><u>\$ 457,258</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 457,258</u></u>

**CASA for Kids of East Texas, Inc.**  
**Statement of Activities**  
**For the year ended December 31, 2013**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>			
Contributions	\$ 124,498	\$ -	\$ 124,498
Grants	-	318,496	318,496
Special events, net of direct expenses of \$4,816	83,606	-	83,606
Interest	4,027	-	4,027
Other income	3,209	-	3,209
Net assets released from restrictions	318,654	(318,654)	-
	<u>533,994</u>	<u>(158)</u>	<u>533,836</u>
Total support, revenues, and reclassifications			
 <b>EXPENSES</b>			
Program services	416,439	-	416,439
Management and general	30,324	-	30,324
Fundraising	22,979	-	22,979
	<u>469,742</u>	<u>-</u>	<u>469,742</u>
Total expenses			
Change in net assets	64,252	(158)	64,094
 <b>NET ASSETS, beginning of year</b>	<u>350,253</u>	<u>158</u>	<u>350,411</u>
<b>NET ASSETS, end of year</b>	<u><u>\$ 414,505</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 414,505</u></u>

**CASA for Kids of East Texas, Inc.**  
**Statement of Functional Expenses**  
**For the year ended December 31, 2014**

	Program Services	Management and General	Fundraising	Total Expenses
Advertising	\$ 5,132	\$ 537	\$ 298	\$ 5,967
Alarm	330	35	19	384
Bank service charge	43	5	3	51
Children's expense	402	-	-	402
Conferences	2,445	-	-	2,445
Contract labor	54	6	4	64
Credit card fees	-	-	968	968
Depreciation	-	7,163	-	7,163
Dues and subscriptions	899	94	52	1,045
Fidelity bond	163	17	10	190
Growth training	575	-	-	575
Insurance - health	34,669	3,628	2,015	40,312
Insurance - liability	4,504	471	262	5,237
Interest expense	-	2,653	-	2,653
Internet	1,220	117	65	1,402
Janitorial	1,548	162	90	1,800
Lawn maintenance	2,241	234	130	2,605
Meals	12	-	-	12
OATH expense	1,015	-	-	1,015
Office supplies	6,898	722	302	7,922
Payroll and benefits	317,561	8,322	42,224	368,107
Payroll taxes	24,421	647	3,340	28,408
Postage and delivery	1,606	168	94	1,868
Printing and reproduction	1,588	166	92	1,846
Professional fees	20,468	2,142	1,190	23,800
R360 grant expense	69	-	-	69
Repairs and maintenance	1,272	133	74	1,479
Software / IT	3,508	367	204	4,079
Telephone	6,144	643	356	7,143
Travel	13,872	365	365	14,602
Utilities	4,172	437	243	4,852
Volunteers	8,239	-	-	8,239
Total expenses	<u>\$ 465,070</u>	<u>\$ 29,234</u>	<u>\$ 52,400</u>	<u>\$ 546,704</u>



**CASA for Kids of East Texas, Inc.**  
**Statement of Functional Expenses**  
**For the year ended December 31, 2013**

	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total Expenses</b>
Advertising	\$ 75	\$ 8	\$ 4	\$ 87
Alarm	330	35	19	384
Automobile expense	-	4	-	4
Conferences	2,031	-	-	2,031
Credit card fees	-	-	1,253	1,253
Depreciation	-	8,232	-	8,232
Dues and subscriptions	870	91	51	1,012
Insurance - d&o	774	81	45	900
Insurance - health	28,681	3,002	1,667	33,350
Insurance - liability	3,505	367	204	4,076
Interest expense	-	3,143	-	3,143
Internet	1,222	128	71	1,421
Janitorial	1,548	162	90	1,800
Lawn maintenance	2,079	218	121	2,418
Miscellaneous	1,335	33	6	1,374
Office supplies	6,225	652	362	7,239
Payroll and benefits	286,344	9,471	15,329	311,144
Payroll taxes	23,022	416	1,211	24,649
Postage and delivery	973	102	56	1,131
Printing and reproduction	984	103	57	1,144
Professional fees	20,038	2,097	1,165	23,300
R360 grant expense	97	-	-	97
Repairs and maintenance	2,053	215	119	2,387
Software / IT	3,096	324	180	3,600
Telephone	5,363	561	312	6,236
Travel	14,445	380	380	15,205
Utilities	4,765	499	277	5,541
Volunteers	6,584	-	-	6,584
Total expenses	<u>\$ 416,439</u>	<u>\$ 30,324</u>	<u>\$ 22,979</u>	<u>\$ 469,742</u>

**CASA for Kids of East Texas, Inc.**  
**Statements of Cash Flows**  
**For the years ended December 31, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase in net assets	\$ 42,753	\$ 64,094
Adjustments to reconcile increase in net assets to net cash provided by operations:		
Depreciation	7,163	8,232
Increase in grants receivable	(406)	(3,386)
Increase (decrease) in accrued expenses	84	(201)
Increase (decrease) in compensated absences	(259)	1,667
Increase in deferred revenue	20,601	5,000
Net cash provided by operating activities	<u>69,936</u>	<u>75,406</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(477)	(2,410)
Net cash used in investing activities	<u>(477)</u>	<u>(2,410)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayments on notes payable	(11,219)	(10,617)
Net cash used in financing activities	<u>(11,219)</u>	<u>(10,617)</u>
<b>NET INCREASE IN CASH</b>	58,240	62,379
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>364,435</u>	<u>302,056</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u><u>\$ 422,675</u></u>	<u><u>\$ 364,435</u></u>

**CASA for Kids of East Texas, Inc.**  
**Notes to Financial Statements**  
**December 31, 2014 and 2013**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**ORGANIZATION AND NATURE OF ACTIVITIES**

Court Appointed Special Advocates (CASA) for Kids of East Texas, Inc. (Organization) is a nonprofit organization chartered in 1990 under the laws of the State of Texas. The Organization's purpose is to provide trained volunteer advocates for abused or neglected children involved in juvenile and family courts of Smith County. The Organization derives its support from donor contributions, grants, and through special events for which admission fees and sponsorships are solicited from the general public.

**BASIS OF ACCOUNTING**

The accompanying financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

**INCOME TAXES**

The Organization is a nonprofit corporation organized under the laws of the State of Texas and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization is also exempt from the Texas corporation franchise tax. The Organization believes it has filed all required tax reports and has no uncertain tax positions. The years 2012 through 2014 remain open for examination by taxing authorities.

**SUPPORT AND REVENUES**

Contributions, including unconditional promises to give, are recognized as revenue in the period received and recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and nature of any donor restrictions.

When a donor restriction is satisfied or expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported on the statement of activities as net assets released from restrictions.

Donated marketable securities and other non-cash donations are recorded as contributions at their estimated fair values at the date of donation.

**ESTIMATES**

Financial statements prepared in conformity with generally accepted accounting principles in the United States of America require management to make estimates and assumptions that affect both the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial reporting period. Accordingly, actual results could differ from those estimates.

**CASH AND CASH EQUIVALENTS**

For purposes of the statement of cash flows, the Organization considers cash equivalents to be short-term, highly liquid investments that are readily convertible to cash and have original maturities of three months or less. Deposits exceeded the Federal Deposit Insurance Corporation Limit (FDIC) as of December 31, 2014 and 2013, by \$143,297 and \$94,898, respectively.

**CASA for Kids of East Texas, Inc.**  
**Notes to Financial Statements**  
**December 31, 2014 and 2013**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**ADVERTISING**

The Organization expenses advertising costs as incurred. The advertising costs for the years ended December 31, 2014 and 2013 were \$5,967 and \$87, respectively.

**PROPERTY AND EQUIPMENT**

Property and equipment are stated at cost for assets purchased and at fair market value (at date of contribution) for assets contributed. Expenditures for repairs and maintenance are charged to expense as incurred. Acquisitions of property and equipment in excess of \$500 are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of five to thirty years.

**COMPENSATED ABSENCES**

It is the Organization's policy that upon resignation, with the appropriate notice, employees shall receive pay for accrued, but unused paid time off (PTO). No PTO will be paid upon termination of an employee. PTO shall be granted to full-time employees, calculated on the last day of the month, according to the following schedule: a) 1.66 days per month for the first through the fourth year (20 work days); b) 2 days per month for the fifth year and beyond (24 work days).

PTO accrual will be based on the anniversary of the employee's employment date, and PTO may be taken as soon as it is accrued. Any unused PTO up to a maximum of 30 days may be carried into the following year. As of December 31, 2014 and 2013, unused paid time off was \$12,465 and \$12,724, respectively.

**NOTE 2 – RESTRICTED CASH**

Cash has been restricted for the following as of As of December 31, 2014:

Justice is Served 2015 Event	\$ 3,000
Texas Bar Association Grant	18,601
2015 Advertising Grant	<u>4,000</u>
Total	<u><u>\$ 25,601</u></u>

**NOTE 3 - GRANTS**

Grant revenues were \$345,191 and \$318,496 as of December 31, 2014 and 2013, respectively. In addition, grants receivable were \$40,808 and \$40,402 at December 31, 2014 and 2013, respectively. The various grants are restricted for certain program expenditures. The Organization is reimbursed by grantors for certain program and operating expenditures.

In the normal course of operations, the Organization receives grant funds from various federal and state agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

**CASA for Kids of East Texas, Inc.**  
**Notes to Financial Statements**  
**December 31, 2014 and 2013**

**NOTE 4 – PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Land	\$ 49,500	\$ 49,500
Building	150,091	150,091
Furniture and equipment	50,267	49,790
Software	<u>3,946</u>	<u>3,946</u>
Less : accumulated depreciation	<u>178,283</u>	<u>171,120</u>
Net property and equipment	<u><u>\$ 75,521</u></u>	<u><u>\$ 82,207</u></u>

Depreciation expense for the years ending December 31, 2014 and 2013, was \$7,163 and \$8,232, respectively.

**NOTE 5 – NOTES PAYABLE**

The Organization's obligation for mortgage payable consisted of the following at December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Southside Bank, 5.25%		
\$1,155.33 monthly, matures May 9, 2019		
Secured by a Deed of Trust on the		
land and building	<u>\$ 43,556</u>	<u>\$ 54,775</u>

The Organization paid off the total balance of the note in 2015, therefore the balance remaining at the end of 2014 is considered current. Interest expense was \$2,653 and \$3,143 for the years ended December 31, 2014 and 2013, respectively.

**NOTE 6 – FEDERAL AWARDS**

A Single Audit in accordance with *OMB Circular A-133* was not required for the years ended December 31, 2014 or 2013, respectively.

**NOTE 7 – CONCENTRATIONS**

For years ending December 31, 2014 and 2013, approximately 59% and 60% of the Organization's revenue was earned under various contracts and grants with Texas CASA, the Victims of Crime Act – Federal grant program, the United Way, and Smith County, Texas. Should any of these grantors cease to continue funding in future years, the operations of the Organization could be materially affected.

**CASA for Kids of East Texas, Inc.**  
**Notes to Financial Statements**  
**December 31, 2014 and 2013**

**NOTE 8 – SUBSEQUENT EVENTS**

The Organization closed on the purchase of a new building on August 3, 2015. Their existing building is currently under contract and they are expected to close on the sale of the building in September of 2015. The Organization anticipates after these transactions, that the note payable on the new building will be approximately \$200,000.

Management has evaluated subsequent events through August 11, 2015, the date on which the financial statements were available to be issued.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors of  
CASA for Kids of East Texas, Inc.  
Tyler, Texas

We have audited, in accordance with the 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, the financial statements of CASA for Kids of East Texas, Inc. (a nonprofit organization) (Organization), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 11, 2015.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

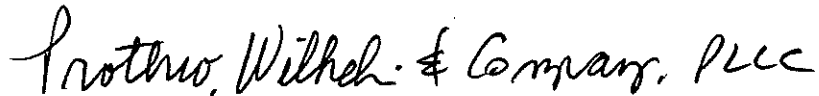
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **COMPLIANCE AND OTHER MATTERS**

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



PROTHRO, WILHELMI AND COMPANY, PLLC

Tyler, Texas  
August 11, 2015



**CASA for Kids of East Texas, Inc.**  
**Schedule of Findings and Questioned Costs for Texas CASA**  
**For the year ended December 31, 2014**

**Summary of Auditors' Results**

**Texas CASA**

There were no findings related to Texas CASA for 2014.

**CASA for Kids of East Texas, Inc.**  
**Schedule of Expenditures of Federal and State Awards - Texas CASA**  
**For the year ended December 31, 2014**

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Contract Number	Pass - Through Entity Identifying Number *	Federal Expenditures
<b>Department of Justice</b>				
Criminal Justice Division - VOCA	16.577	13562-14	(1)	\$ 54,737
Criminal Justice Division - VOCA	16.577	13562-15	(1)	28,082
<b>Subtotal Department of Justice</b>				<u>82,819</u>
<b>Total Federal Awards</b>				<u>82,819</u>
<b>Texas CASA, Inc.</b>				
2014 Program	-	CVC-14-63	-	99,122
2015 Program	-	CVC-15-63	-	44,786
<b>Subtotal Texas CASA, Inc.</b>				<u>143,908</u>
<b>Total State Awards</b>				<u>143,908</u>
<b>Total Federal and State Awards</b>				<u>\$ 226,727</u>

\* Key to pass-through entity identification  
(1) Texas CASA