



CASA FOR KIDS OF EAST TEXAS, INC.

**FINANCIAL STATEMENTS
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT**

DECEMBER 31, 2021 AND 2020

CASA FOR KIDS OF EAST TEXAS, INC.
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FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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DAVID K. GODWIN

CERTIFIED PUBLIC ACCOUNTANT, PLLC

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of CASA for Kids of East Texas, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of CASA for Kids of East Texas, Inc. as of December 31, 2021 and 2020, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of CASA for Kids of East Texas, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about CASA for Kids of East Texas, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 CASA for Kids of East Texas, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about CASA for Kids of East Texas, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Findings and Responses for Texas CASA and Schedule of Expenditures of Federal and State Awards – Texas CASA, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such

information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Findings and Responses for Texas CASA and Schedule of Expenditures of Federal and State Awards – Texas CASA is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 17, 2022, on our consideration of CASA for Kids of East Texas, Inc.'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 CASA for Kids of East Texas, Inc.'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 CASA for Kids of East Texas, Inc.'s internal control over financial reporting and compliance.



David K. Godwin, CPA, PLLC

Tyler, Texas
May 17, 2022

Financial Statements

CASA FOR KIDS OF EAST TEXAS, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020

	2021	2020
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 917,426	\$ 630,389
Grants receivable	123,625	102,626
Other assets	23,460	22,484
Total current assets	1,064,511	755,499
Accounts receivable	4,508	-
Restricted cash	629	130,015
Restricted pledges receivable	16,668	200,000
Donated inventory	18,370	-
Property and equipment, net	1,258,136	933,648
Total assets	\$ 2,362,822	\$ 2,019,162
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accrued expenses	\$ -	\$ 7,783
Note payable	-	1,036
Total current liabilities	-	8,819
Non-current liabilities:		
Compensated absences	35,809	46,039
Total non-current liabilities	35,809	46,039
Total liabilities	35,809	54,858
Net assets:		
Without donor restrictions:		
Board designated	8,122	8,122
Operations	1,043,458	693,555
Investment in property and equipment, net of related debt	1,258,136	932,612
Total without donor restrictions	2,309,716	1,634,289
With donor restrictions:		
Capital campaign	16,668	325,017
Training	629	4,998
Total with donor restrictions	17,297	330,015
Total net assets	2,327,013	1,964,304
Total liabilities and net assets	\$ 2,362,822	\$ 2,019,162

The notes to the financial statements are an integral part of this statement.

CASA FOR KIDS OF EAST TEXAS, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions	\$ 378,592	\$ 83,465	\$ 462,057
Grants	-	687,382	687,382
Special events, net of direct expenses of \$ 4,190	132,167	-	132,167
Interest income	8,609	-	8,609
Other income	2,714	-	2,714
Net assets released from restrictions	<u>1,083,565</u>	<u>(1,083,565)</u>	<u>-</u>
Total support, revenues, and reclassifications	<u>1,605,647</u>	<u>(312,718)</u>	<u>1,292,929</u>
EXPENSES			
Program services	801,012	-	801,012
Management and general	53,556	-	53,556
Fundraising	<u>75,652</u>	<u>-</u>	<u>75,652</u>
Total expenses	<u>930,220</u>	<u>-</u>	<u>930,220</u>
Change in net assets	675,427	(312,718)	362,709
NET ASSETS , beginning of year	<u>1,634,289</u>	<u>330,015</u>	<u>1,964,304</u>
NET ASSETS , end of year	<u>\$ 2,309,716</u>	<u>\$ 17,297</u>	<u>\$ 2,327,013</u>

The notes to the financial statements are an integral part of this statement.

CASA FOR KIDS OF EAST TEXAS, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions	\$ 179,672	\$ 856,132	\$ 1,035,804
Grants	-	649,502	649,502
Special events, net of direct expenses of \$ 3,854	97,352	-	97,352
Interest income	8,268	-	8,268
Gain from debt extinguishment	24,755	-	24,755
Gain on sale of facility	54,165	-	54,165
Other income	4,190	-	4,190
Net assets released from restrictions	1,199,184	(1,199,184)	-
Total support, revenues, and reclassifications	1,567,586	306,450	1,874,036
EXPENSES			
Program services	751,198	-	751,198
Management and general	57,315	-	57,315
Fundraising	74,346	-	74,346
Total expenses	882,859	-	882,859
Change in net assets	684,727	306,450	991,177
NET ASSETS , beginning of year	949,562	23,565	973,127
NET ASSETS , end of year	\$ 1,634,289	\$ 330,015	\$ 1,964,304

The notes to the financial statements are an integral part of this statement.

CASA FOR KIDS OF EAST TEXAS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

EXPENSES	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Advertising	\$ -	\$ -	\$ 903	\$ 903
Alarm	391	27	27	445
Bank service charge	-	-	38	38
Children's expenses	4,376	-	-	4,376
Conferences/training	50	-	-	50
Credit card fees	-	1,430	-	1,430
Depreciation	31,740	2,164	2,164	36,068
Dues and subscriptions	1,266	25	1,597	2,888
Insurance - health insurance	52,262	3,689	5,534	61,485
Insurance - liability insurance	13,484	298	334	14,116
Internet	1,096	75	75	1,246
Janitorial	3,432	234	234	3,900
Meetings	509	28	22	559
Office expense	31,264	1,718	1,374	34,356
Payroll and benefits	520,607	36,749	55,123	612,479
Payroll taxes	38,548	2,721	4,082	45,351
Postage and delivery	443	443	600	1,486
Professional fees	20,566	1,130	904	22,600
Repairs and maintenance	11,219	766	766	12,751
Software / IT	10,586	332	332	11,250
Telephone - cellular	6,396	452	677	7,525
Telephone - other	2,189	120	96	2,405
Travel	20,940	193	-	21,133
Utilities	17,515	962	770	19,247
Volunteer Recognition/Recruit	12,133	-	-	12,133
	<u>\$ 801,012</u>	<u>\$ 53,556</u>	<u>\$ 75,652</u>	<u>\$ 930,220</u>

The notes to the financial statements are an integral part of this statement.

CASA FOR KIDS OF EAST TEXAS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

	Program Services	Management and General	Fundraising	Total Expenses
EXPENSES				
Advertising	\$ 1,001	\$ -	\$ 798	\$ 1,799
Alarm	190	30	9	229
Bank service charge	-	-	804	804
Children's expenses	6,105	-	-	6,105
Conferences/training	240	-	-	240
Credit card fees	-	1,274	-	1,274
Depreciation	13,451	2,107	648	16,206
Dues and subscriptions	1,970	-	1,462	3,432
Insurance - health insurance	46,132	3,256	4,885	54,273
Insurance - liability insurance	12,851	595	491	13,937
Interest	2,978	466	144	3,588
Internet	1,205	189	58	1,452
Janitorial	3,237	507	156	3,900
Meetings	299	17	20	336
Office expense	10,012	563	675	11,250
Payroll and benefits	521,902	36,840	55,260	614,002
Payroll taxes	41,612	2,937	4,406	48,955
Postage and delivery	1,004	1,004	600	2,608
Printing and reproduction	207	-	-	207
Professional fees	20,114	1,130	1,356	22,600
Repairs and maintenance	2,995	469	144	3,608
Software / IT	7,271	526	162	7,959
Telephone - cellular	6,396	452	677	7,525
Telephone - other	1,732	97	117	1,946
Travel	11,524	1,265	70	12,859
Utilities	5,984	336	403	6,723
Volunteer Recognition/Recruit	10,006	-	-	10,006
Facility sale costs	20,780	3,255	1,001	25,036
	<u>\$ 751,198</u>	<u>\$ 57,315</u>	<u>\$ 74,346</u>	<u>\$ 882,859</u>
Total expenses	<u>\$ 751,198</u>	<u>\$ 57,315</u>	<u>\$ 74,346</u>	<u>\$ 882,859</u>

The notes to the financial statements are an integral part of this statement.

CASA FOR KIDS OF EAST TEXAS, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
CASH FLOW FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 362,709	\$ 991,177
Adjustments to reconcile increase in net assets to net cash provided by operations:		
Depreciation	36,068	16,206
Capital campaign receipts included in contributions	(74,493)	(856,132)
Decrease in PPP loan payable	-	(24,755)
(Increase) decrease in grants receivable	(20,999)	15,682
(Increase) decrease pledges receivable	183,332	(200,000)
(Increase) decrease in other assets	(976)	(22,384)
(Increase) decrease in accounts receivable	(4,508)	-
(Increase) decrease in donated inventory	(18,370)	-
Increase (decrease) in accrued expenses	(7,783)	7,443
Increase (decrease) in compensated absences	(10,230)	6,335
Increase (decrease) in deferred revenue	-	(4,100)
	444,750	(70,528)
Net cash provided by (used in) operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(30,501)	(142,787)
Disposal of property and equipment	-	315,833
Payments for capital projects	(330,055)	(780,967)
	(360,556)	(607,921)
Net cash used in investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan proceeds	-	697,255
Debt repayments	(1,036)	(671,464)
Contributions received from capital campaign restricted for purchase and construction of long lived assets	74,493	856,132
	73,457	881,923
Net cash provided by financing activities		
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	157,651	203,474
CASH AND CASH EQUIVALENTS, beginning of year	760,404	556,930
CASH AND CASH EQUIVALENTS, end of year	\$ 918,055	\$ 760,404
SUPPLEMENTAL CASH FLOW INFORMATION		
Non-cash donations	\$ (25,671)	\$ (3,795)
PPP loan forgiveness	\$ -	\$ (24,755)
Interest paid during year	\$ -	\$ 3,588

The notes to the financial statements are an integral part of this statement.

Notes to the Financial Statements

CASA FOR KIDS OF EAST TEXAS, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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, Wood, and Van Zandt Counties. 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 2020 through 2021 remain open for examination by taxing authorities.

Support and Revenues

Contributions received, including unconditional promises to give, are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and nature of any donor restrictions. Support that is not restricted by the donor is reported as an increase in net assets without donor restrictions. All other donor restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in 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.

CASA FOR KIDS OF EAST TEXAS, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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, 2021 and 2020, by \$668,055 and \$510,404 respectively.

Liquidity and Availability of Financial Assets

As of December 31, 2021, the Organization has \$1,064,511 of financial assets available within one year of the statement of financial position date to meet cash needs for general operating expenditures, consisting of cash of \$917,426, grants receivable of \$123,625, and other assets of \$23,460.

As of December 31, 2020, the Organization has \$755,499 of financial assets available within one year of the statement of financial position date to meet cash needs for general operating expenditures, consisting of cash of \$630,389, grants receivable of \$102,626, and other assets of \$22,484.

Advertising

The Organization expenses advertising costs as incurred. The advertising costs for the years ended December 31, 2021 and 2020 were \$903 and \$1,799, 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.

CASA FOR KIDS OF EAST TEXAS, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Compensated Absences

It is the Organization's policy that employees who resign, give the appropriate notice, and were not on an improvement plan within the previous 90 day time period will receive pay for accrued, unused paid time off (PTO) up to a maximum of 30 days. 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 and second years (20 work days); b) 2 days per month for the third 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, 2021 and 2020, unused paid time off was \$35,809 and \$46,039, respectively.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and categorized in the statement of functional expenses. Accordingly, certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. The expenses that are allocated are compensation and benefits, which are allocated on the basis of estimates of time and effort; occupancy costs and depreciation, which are allocated on a square footage basis; and supplies and utility costs, which are allocated based on estimated usage.

Donated Services and Facilities

A substantial number of volunteers have donated significant amounts of time in conjunction with the advocacy program. These services qualify for in-kind matching for some of the Organization's grant funding, but do not meet the requirements for recognition in the financial statements. For the years ending December 31, 2021 and 2020, CASA volunteers recorded approximately 9,736 and 7,826 hours of service in each year valued at \$253,136 and \$203,476, respectively, based on volunteer hourly rates approved by the granting source.

The Organization receives donated facilities for its Van Zandt County outreach office. These donated facilities are not reflected in the financial statements due to lack of market information available to determine fair market value of a similar space. Should market information become available, CASA will recognize an in-kind contribution and incur rental expenses while occupying the office space.

CASA FOR KIDS OF EAST TEXAS, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Donated Inventory

The Organization accepts in-kind donations of toys, school supplies and personal items for children. These contributed items are recorded at their estimated fair value at the date of receipt and are reflected as donated inventories in the Statement of Financial Position and included with contributions and program expenses on the Statement of Activities.

Reclassifications

Certain reclassifications have been made to the 2020 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

NOTE 2: GRANTS

Grant revenues were \$687,382 and \$649,502 as of December 31, 2021 and 2020, respectively. In addition, grants receivable were \$123,625 and \$102,626 at December 31, 2021 and 2020, 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.

NOTE 3: RESTRICTED CASH

Cash has been restricted for the following as of December 31, 2021:

Capital Campaign	\$ 16,668
Training	<u>629</u>
	<u>\$ 17,297</u>

Cash has been restricted for the following as of December 31, 2020:

Capital Campaign	\$ 125,017
Training	<u>4,998</u>
	<u>\$ 130,015</u>

CASA FOR KIDS OF EAST TEXAS, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 4: PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2021 and 2020:

	2021	2020
<u>Nondepreciable</u>		
Land	\$ 133,427	\$ 133,427
Construction in progress	20,250	780,967
 <u>Depreciable</u>		
Building	1,090,772	-
Furniture and equipment	89,524	59,023
Software	10,437	10,437
	1,344,410	983,854
 Less: accumulated depreciation	 86,274	 50,206
 Property and equipment, net	 \$ 1,258,136	 \$ 933,648

NOTE 5: PAYCHECK PROTECTION PROGRAM

The Coronavirus Aid, Relief and Economic Security Act (CARES Act), including subsequent amendments, earmarked over \$600 million through the Paycheck Protection Program (PPP), administered by the Small Business Administration (SBA), for potentially forgivable loans to support eligible small businesses impacted by COVID-19. The loans, which have a two- or five-year term (depending upon when they were issued) and bear interest at 1 percent, are provided through SBA-approved lenders to an eligible entity. The PPP, established as part of the CARES Act, provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. On April 28, 2020, the Organization received loan proceeds in the amount of \$24,755 under the PPP.

The loans and accrued interest are forgivable after eight weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the eight-week period. On November 17, 2020, the Organization received confirmation that the original loan amount of \$24,755 was forgiven in full.

Under Accounting Standards Codification 230, *Statement of Cash Flows*, the amount borrowed under the PPP loan is shown as a cash inflow from financing activities, the principal forgiven is shown as noncash financing activity, and the PPP loan payable is shown as a reconciling item between net assets and cash from operating activities.

CASA FOR KIDS OF EAST TEXAS, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 6: PLEDGES RECEIVABLE

The Organization held a fund-raising campaign to purchase a new facility. Pledges receivable are restricted to payment of the costs for purchasing and renovating the new facility. At December 31, 2021 and 2020, pledges receivable amounted to \$16,668 and \$200,000, respectively. Management determined that the pledges receivable were fully collectible; therefore, no allowance for uncollectible accounts was considered necessary at December 31, 2021 and 2020.

NOTE 7: LINE OF CREDIT

In July 2020, the Organization obtained a \$395,000 revolving line of credit from Southside Bank to help finance its short-term capital needs for new facility improvements. This line is collateralized by the new facility, and interest is payable monthly on outstanding balances at a fixed annual interest rate of 3.5%. At December 31, 2020, the balance on the line of credit was \$1,036.

The line of credit had been paid in full and was no longer active at December 31, 2021.

NOTE 8: CONCENTRATIONS

For years ending December 31, 2021 and 2020, approximately 53% and 35% 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, respectively. Should any of these grantors cease to continue funding in future years, the operations of the Organization could be materially affected.

NOTE 9: FEDERAL AND STATE AWARDS

The Organization did not expend \$750,000 or more in federal or state awards during 2021 or 2020; as a result, a Single Audit in accordance with *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and OMB Circular A-133* was not required for the years ended December 31, 2021 or 2020, respectively.

NOTE 10: SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through May 17, 2022, which is the date the financial statements were made available to be issued.

CASA FOR KIDS OF EAST TEXAS, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 11: ACCOUNTING STANDARDS

The Financial Accounting Standards Board (FASB) has issued the following Accounting Standards Update's (ASU) which were implemented during the 2021 fiscal year as shown below:

ASU 2021-01—*Reference Rate Reform (Topic 848): Scope*. This ASU is effective immediately as of January 2021. All applicable provisions have been included in the Organization's financial statements as of December 31, 2021.

ASU 2021-02—*Franchisors—Revenue from Contracts with Customers (Subtopic 952-606): Practical Expedient*. This ASU is effective for annual periods beginning after December 15, 2020. All applicable provisions have been included in the Organization's financial statements as of December 31, 2021.

The FASB has issued the following Statements which will become effective in future years as shown below:

ASU 2021-04—*Earnings Per Share (Topic 260), Debt—Modifications and Extinguishments (Subtopic 470-50), Compensation—Stock Compensation (Topic 718), and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Issuer's Accounting for Certain Modifications or Exchanges of Freestanding Equity-Classified Written Call Options*. This ASU is effective for fiscal years beginning after December 15, 2021. Management has not yet determined the impact of this ASU on the financial statements.

ASU 2021-05—*Leases (Topic 842): Lessors—Certain Leases with Variable Lease Payments*. This ASU is effective for fiscal years beginning after December 15, 2021. Management has not yet determined the impact of this ASU on the financial statements.

ASU 2021-07—*Compensation—Stock Compensation (Topic 718): Determining the Current Price of an Underlying Share for Equity-Classified Share-Based Awards*. This ASU is effective for all qualifying awards granted or modified during fiscal years beginning after December 15, 2021. Management has not yet determined the impact of this ASU on the financial statements.

ASU 2021-08—*Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*. This ASU is effective for fiscal years beginning after December 15, 2023. Management has not yet determined the impact of this ASU on the financial statements.

ASU 2021-09—*Leases (Topic 842): Discount Rate for Lessees That Are Not Public Business Entities*. This ASU is effective for fiscal years beginning after December 15, 2021. Management has not yet determined the impact of this ASU on the financial statements.

CASA FOR KIDS OF EAST TEXAS, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 11: ACCOUNTING STANDARDS – continued

ASU 2021-10—*Government Assistance (Topic 832): Disclosures by Business Entities about Government Assistance*. This ASU is effective for all entities within their scope for financial statements issued for annual periods beginning after December 15, 2021. Management has not yet determined the impact of this ASU on the financial statements.

ASU 2022-01—*Derivatives and Hedging (Topic 815): Fair Value Hedging—Portfolio Layer Method*. This ASU is effective for fiscal years beginning after December 15, 2023. Management has not yet determined the impact of this ASU on the financial statements.

ASU 2022-02—*Financial Instruments—Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures*. This ASU is effective for fiscal years beginning after December 15, 2022. Management has not yet determined the impact of this ASU on the financial statements.

Compliance and Internal Control



DAVID K. GODWIN

CERTIFIED PUBLIC ACCOUNTANT, PLLC

INDEPENDENT AUDITOR'S 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.

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), which comprise the statement of financial position as of December 31, 2021, 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 May 17, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered CASA for Kids of East Texas, Inc.'s internal control over financial reporting (internal control) as a basis for designing 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 CASA for Kids of East Texas, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of CASA for Kids of East Texas, Inc.'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 internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether CASA for Kids of East Texas, Inc.'s financial statements are free from 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*.

Purpose of this Report

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



David K. Godwin, CPA, PLLC

Tyler, Texas

May 17, 2022

Supplementary Information

**CASA FOR KIDS OF EAST TEXAS, INC.
SCHEDULE OF FINDINGS AND RESPONSES FOR TEXAS CASA
FOR THE YEAR ENDED DECEMBER 31, 2021**

Summary of Auditors' Results

Texas CASA
There were no findings related to Texas CASA for 2021.

CASA FOR KIDS OF EAST TEXAS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS – TEXAS CASA
FOR THE YEAR ENDED DECEMBER 31, 2021

Federal Grantor / Pass - Through Grantor / Program or Cluster Title	Federal CFDA Number	Contract Number	Pass - Through Entity Identifying Number*	Federal Expenditures
Department of Justice				
Criminal Justice Division - VOCA	16.577	VOCA - 2021 - 75	(1)	\$ 256,781
Criminal Justice Division - VOCA	16.577	VOCA - 2022 - 75	(1)	<u>76,035</u>
Subtotal Department of Justice				<u>332,816</u>
Total Federal Awards				<u>332,816</u>
State of Texas Office of the Attorney General				
2021 Other Victim Assistance Grant - OVAG	-	2107746	-	31,277
2022 Other Victim Assistance Grant - OVAG	-	2215515	-	<u>12,709</u>
Subtotal State of Texas Office of the Attorney General				<u>43,986</u>
Texas CASA, Inc.				
2021 Program	-	CVC - 2021 - 75	-	163,169
2022 Program	-	CVC - 2022 - 75	-	<u>78,031</u>
Subtotal Texas CASA, Inc.				<u>241,200</u>
Total State Awards				<u>285,186</u>
Total Federal and State Awards				<u>\$ 618,002</u>

* Key to pass-through entity identification
(1) Texas CASA, Inc.