

NATIONAL CASA ASSOCIATION

FINANCIAL REPORT

DECEMBER 31, 2012

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
National CASA Association
Seattle, Washington

We have audited the accompanying financial statements of National CASA Association, which comprise the statements of financial position as of December 31, 2012 and 2011, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 National CASA Association as of December 31, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

Peterson Sulli LLP.

March 13, 2013

NATIONAL CASA ASSOCIATION

STATEMENTS OF FINANCIAL POSITION

December 31, 2012 and 2011

ASSETS	2012	2011
Current Assets		
Cash	\$ 1,558,703	\$ 1,276,094
Investments	237,204	215,216
Receivable from Department of Justice	125,249	208,026
Contributions receivable	255,815	133,638
Prepaid expenses	13,892	70,481
Total current assets	2,190,863	1,903,455
Furniture and Equipment		
Office furniture	18,464	18,464
Office equipment	53,227	53,227
Computer equipment	155,446	155,446
	227,137	227,137
Less accumulated depreciation	(207,585)	(196,492)
	19,552	30,645
Total assets	\$ 2,210,415	\$ 1,934,100
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 116,370	\$ 143,499
Accrued vacation payable	113,634	101,156
Total current liabilities	230,004	244,655
Net Assets		
Unrestricted	1,257,406	1,298,919
Temporarily restricted	723,005	390,526
Total net assets	1,980,411	1,689,445
Total liabilities and net assets	\$ 2,210,415	\$ 1,934,100

See Notes to Financial Statements

NATIONAL CASA ASSOCIATION

STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2012 and 2011

	2012			2011		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and revenue						
Cooperative agreements - Department of Justice for: Training and Technical Assistance	\$2,498,645	\$ -	\$2,498,645	\$3,562,723	\$ -	\$3,562,723
Grants Program	5,129,676		5,129,676	9,559,335		9,559,335
Grant - Department of Justice for National Mentoring Program	3,308		3,308			
Grant - Department of Justice for Native American Tribal Courts				197,381		197,381
Conference fees	314,819		314,819	409,305		409,305
Membership dues	96,155		96,155	96,020		96,020
Foundation contributions	261,760	840,000	1,101,760	160,627	500,000	660,627
Other contributions and income	673,958	42,000	715,958	479,928	52,300	532,228
Interest and investment income (loss)	27,174		27,174	(6,774)		(6,774)
Net assets released from restrictions	549,521	(549,521)		1,191,152	(1,191,152)	
Total support and revenue	9,555,016	332,479	9,887,495	15,649,697	(638,852)	15,010,845
Expenses						
Training and technical assistance	2,198,159		2,198,159	3,062,438		3,062,438
Member and public outreach	1,169,140		1,169,140	2,007,715		2,007,715
Grant activities	4,743,890		4,743,890	9,037,705		9,037,705
Total program services	8,111,189		8,111,189	14,107,858		14,107,858
General and administrative	1,221,919		1,221,919	1,384,511		1,384,511
Fundraising	263,421		263,421	305,398		305,398
Total supporting services	1,485,340		1,485,340	1,689,909		1,689,909
Total expenses	9,596,529		9,596,529	15,797,767		15,797,767
Change in net assets	(41,513)	332,479	290,966	(148,070)	(638,852)	(786,922)
Net assets, beginning of year	1,298,919	390,526	1,689,445	1,446,989	1,029,378	2,476,367
Net assets, end of year	<u>\$1,257,406</u>	<u>\$ 723,005</u>	<u>\$1,980,411</u>	<u>\$1,298,919</u>	<u>\$ 390,526</u>	<u>\$1,689,445</u>

See Notes to Financial Statements

NATIONAL CASA ASSOCIATION

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2012

	Program Services			Supporting Services			Total	
	Training and Technical Assistance	Member and Public Outreach	Grant Activities	Total Program Services	General and Administrative	Fundraising		Total Supporting Services
Grantee disbursements	\$ -	\$ -	\$ 4,528,504	\$ 4,528,504	\$ -	\$ -	\$ -	\$ 4,528,504
Personnel and payroll taxes	1,489,617	701,423	145,766	2,336,806	637,039	52,865	689,904	3,026,710
Contract services	222,426	348,365	47,880	618,671	232,419	106,352	338,771	957,442
Travel and subsistence	351,693	50,910	6,216	408,819	74,282	38,328	112,610	521,429
Rent	46,015	42,780	11,091	99,886	31,689	28,520	60,209	160,095
Program promotion and other	11,490	7,926		19,416	102,984	3,627	106,611	126,027
Professional fees					92,362	11,987	104,349	104,349
Telephone and toll-free number	42,435	5,347	2,599	50,381	9,422	1,044	10,466	60,847
Office supplies and postage	16,172	6,814	431	23,417	29,804	6,183	35,987	59,404
Printing	8,625	1,636		10,261	4,831	13,739	18,570	28,831
Insurance	4,140	1,720	627	6,487	5,311		5,311	11,798
Depreciation	5,546	2,219	776	8,541	1,776	776	2,552	11,093
Total expenses	\$ 2,198,159	\$ 1,169,140	\$ 4,743,890	\$ 8,111,189	\$ 1,221,919	\$ 263,421	\$ 1,485,340	\$ 9,596,529

See Notes to Financial Statements

NATIONAL CASA ASSOCIATION

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2011

	Program Services			Supporting Services				
	Training and Technical Assistance	Member and Public Outreach	Grant Activities	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	Total
Grantee disbursements	\$ -	\$ -	\$ 8,771,985	\$ 8,771,985	\$ -	\$ -	\$ -	\$ 8,771,985
Personnel and payroll taxes	1,721,283	818,429	168,303	2,708,015	705,546	43,390	748,936	3,456,951
Contract services	552,724	886,812	68,302	1,507,838	277,606	150,851	428,457	1,936,295
Travel and subsistence	600,055	123,866	10,052	733,973	113,361	19,859	133,220	867,193
Rent	48,304	44,988	11,664	104,956	33,324	29,992	63,316	168,272
Program promotion and other	13,197	6,961		20,158	66,358	8,961	75,319	95,477
Professional fees					74,219	10,457	84,676	84,676
Telephone and toll-free number	42,171	8,499	4,399	55,069	12,523	1,062	13,585	68,654
Office supplies and postage	25,192	49,051	1,146	75,389	95,572	16,962	112,534	187,923
Printing	46,779	63,917		110,696	1,923	22,993	24,916	135,612
Insurance	6,509	2,702	983	10,194	2,088		2,088	12,282
Depreciation	6,224	2,490	871	9,585	1,991	871	2,862	12,447
Total expenses	\$ 3,062,438	\$ 2,007,715	\$ 9,037,705	\$14,107,858	\$ 1,384,511	\$ 305,398	\$ 1,689,909	\$15,797,767

See Notes to Financial Statements

NATIONAL CASA ASSOCIATION

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2012 and 2011

	2012	2011
Cash Flows from Operating Activities		
Cash received from grants and contributions	\$ 9,398,761	\$ 14,872,735
Cash received from membership dues and conferences	410,974	462,180
Investment income received	6,644	7,144
Cash paid to suppliers	(2,000,762)	(3,549,043)
Cash paid to employees	(3,014,232)	(3,457,071)
Grants paid	(4,528,504)	(8,771,985)
Net cash flows from operating activities	272,881	(436,040)
Cash Flows from Investing Activity		
Proceeds from investment sales	9,728	7,287
Net change in cash	282,609	(428,753)
Cash balance, beginning of year	1,276,094	1,704,847
Cash balance, end of year	\$ 1,558,703	\$ 1,276,094
Reconciliation of change in net assets to net cash flows from operating activities		
Change in net assets	\$ 290,966	\$ (786,922)
Depreciation	11,093	12,447
Loss (gain) on investments	(20,530)	13,918
Donation of investments	(11,186)	(9,972)
Change in operating assets and liabilities		
Receivables	(39,400)	370,413
Prepaid expenses	56,589	56,176
Accounts payable and accrued vacation payable	(14,651)	(48,955)
Deferred conference revenue		(43,145)
Net cash flows from operating activities	\$ 272,881	\$ (436,040)

See Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

Note 1. Organization and Significant Accounting Policies

Organization

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

Use of Estimates

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

Income Taxes

The Association is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Association's federal tax returns are open to examination for the years ended December 31, 2009 to 2012.

Functional Allocation of Expenses

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

Financial Statement Presentation

The Association reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Association has no permanently restricted net assets, so this class of net assets is not shown on the financial statements.

Temporarily Restricted Net Assets

The Association records grants and contributions received as unrestricted or temporarily restricted support depending on the existence and/or nature of any donor restrictions. Temporarily restricted net assets consist of unexpended contributions restricted for particular purposes. Temporarily restricted net assets are transferred to unrestricted net assets as expenditures are incurred for the restricted purpose. Temporarily restricted net assets listed by funding source consist of the following at December 31:

	<u>2012</u>	<u>2011</u>
Jewelers for Children (Restricted for pass-through grants to CASA programs)	\$ 390,200	\$ 249,800
Toy Industry Foundation (Restricted for advancing quality volunteers, capacity building and building a movement)	200,000	
Ford Family Foundation (Restricted for Oregon CASA programs at statewide level)	82,000	
National CASA Legal Fund (Restricted for trademark protection and researching laws that impact children)	42,505	40,426
Charles Epstein contribution (Restricted for CASA Project in Israel)	8,300	8,300
Steve and Connie Ballmer contribution (Restricted for CASA Connects Project)		81,245
American Legion Child Welfare (Restricted for volunteer training)		<u>10,755</u>
Total	<u>\$ 723,005</u>	<u>\$ 390,526</u>

Cash

Cash includes cash in banks and money market funds. The Association has amounts deposited with a financial institution in excess of federally insured limits. These amounts are used to fund regular operations.

Investments

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

	<u>2012</u>	<u>2011</u>
Mutual funds		
Large growth	\$ 39,426	\$ 34,054
Large blend	36,658	31,826
Foreign large blend	21,664	18,528
World bond	19,601	18,176
World allocation	11,959	10,298
High yield bond	8,989	8,346
Natural resources	5,697	5,694
Exchange traded funds		
Intermediate bond	54,274	53,487
Mid-cap value	17,279	15,673
Small-cap value	11,004	9,696
Diversified emerging markets	10,653	9,438
	<u>\$ 237,204</u>	<u>\$ 215,216</u>

Receivables / Revenue

The receivable from the United States Department of Justice consists of funds that have been earned, but not yet received. Contributions receivable represent pledges that have been received, but have not yet been collected. Amounts due from one foundation represented 78% of the contributions receivable balance at December 31, 2012. Amounts due from one individual represented 19% of the contributions receivable balance at December 31, 2011.

Grant revenues are recognized when expenditures related to the grants are made. Contributions are recognized when the pledge is made. Of the total foundation contributions, 74% was from three foundations in 2012, and 76% was from one foundation in 2011. One organization and one individual represented 38% of total other contributions and income in 2012, and one organization represented 25% of total other contributions and income in 2011. Conference fees are recognized when the related conference takes place. Membership dues are recognized in the year to which they apply.

In 2012, federal awards for the Association's general operations and pass through grants were substantially reduced by 68%. In late 2012, an additional grant was received from the United States Department of Justice for the National Mentoring Program, for which most funds will be expended and reimbursed beginning in 2013.

Furniture and Equipment

Furniture and equipment is recorded at cost, if purchased, or at fair value at the date of receipt, if donated. The Association's policy is to capitalize assets with a cost or donated value greater than \$5,000 and a useful life in excess of one year. Depreciation is computed by the straight-line method over the estimated useful lives for furniture and equipment.

Reclassification

Certain items from the 2011 financial statements have been reclassified to conform to the current year presentation.

Subsequent Events

The Association has evaluated subsequent events through the date these financial statements were available to be issued, which was the same date as the independent auditors' report.

Note 2. Lease Commitments

The Association leases office space under an operating lease which expires May 31, 2015. Rent expense for 2012 and 2011 was \$160,095 and \$168,272, respectively.

Future approximate minimum payments under the office lease for years ending December 31 are as follows:

2013	\$	143,659
2014		143,659
2015		59,858
		<hr/>
	\$	347,176
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Note 3. Grant Commitments

The Association has committed to distribute approximately \$1,272,000 to local and state CASA organizations between October 1, 2012, and September 30, 2013. The Association distributed a total of \$288,200 through December 31, 2012. Funding for this program is received from the United States Department of Justice (Cooperative Agreement) for pass-through grants.

The Association has committed to distribute approximately \$4,500,000 to local and state CASA organizations between June 1, 2013 and May 31, 2015. The Association has not yet distributed any funds as of December 31, 2012. Funding for this program is going to be received from the United States Department of Justice (Grant) for mentoring pass-through grants.

The Association has committed to distribute approximately \$450,000 to local and state CASA organizations between October 1, 2012, and September 30, 2013. The Association distributed a total of \$109,800 through December 31, 2012. Funding for this program is received from the Jewelers for Children Foundation for pass-through grants.