

DALLAS CASA

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2011

HANKINS, EASTUP, DEATON

TONN & SEAY

A PROFESSIONAL CORPORATION

CERTIFIED PUBLIC ACCOUNTANTS

902 NORTH LOCUST
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TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Statement of Financial Position	3
Statement of Activities	4-5
Statement of Functional Expenses.....	6-7
Statement of Cash Flows	8
Notes to Financial Statements.....	9-14
Supplementary Information:	
Supplementary Schedule of Texas Casa, Inc. Grant Awards	16
Supplementary Schedule of VOCA Grant Awards	17
Independent Auditor's Report on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	19-20

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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Dallas CASA
Dallas, Texas


We have audited the accompanying statement of financial position of Dallas CASA (a nonprofit organization) as of December 31, 2011 and 2010 and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of Dallas CASA's management. 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Dallas CASA as of December 31, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of Dallas CASA taken as a whole. The accompanying supplementary information included in the report is presented for purposes of additional analysis and is not a required part of the basic financial statements of Dallas CASA. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report May 25, 2012 on our consideration of Dallas CASA'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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.


Hankins, Eastup, Deaton, Tonn & Seay
A Professional Corporation
Certified Public Accountants

May 25, 2012

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DALLAS CASA

STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2011 AND 2010

ASSETS

ASSETS	2011	2010
Cash and Cash Equivalents	\$ 4,106,435	\$ 2,115,978
Investments	-	1,125,516
Permanently Restricted Investments	1,595,408	1,573,868
Grants Receivable	245,772	265,628
Other Receivables	261	-
Prepaid Expenses	39,382	17,222
Escrow Deposit	-	27,500
PROPERTY AND EQUIPMENT		
Land and Building	3,782,169	1,988,311
Furniture and Equipment	144,124	143,839
Computers and Software	87,691	84,408
Less Accumulated Depreciation	(758,048)	(698,188)
Property and Equipment - Net	<u>3,255,936</u>	<u>1,518,370</u>
TOTAL ASSETS	<u>\$ 9,243,194</u>	<u>\$ 6,644,082</u>

LIABILITIES AND NET ASSETS

LIABILITIES		
Note Payable	\$ 1,400,000	\$ -
Accounts Payable	86,377	61,845
Deferred Revenue	1,267,075	65,306
Total Liabilities	<u>2,753,452</u>	<u>127,151</u>
NET ASSETS		
Unrestricted:		
Operating	1,638,398	3,102,138
Property and Equipment	3,255,936	1,518,370
Total Unrestricted	<u>4,894,334</u>	<u>4,620,508</u>
Temporarily Restricted:		
Space Fund	-	322,555
Permanently Restricted:		
Endowment Funds	1,595,408	1,573,868
Total Net Assets	<u>6,489,742</u>	<u>6,516,931</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 9,243,194</u>	<u>\$ 6,644,082</u>

The Notes to Financial Statements are an integral part of these statements.

DALLAS CASA

STATEMENT OF ACTIVITIES FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<u>Support and Revenues</u>				
Contributions	\$ 876,985	\$ -	\$ 25,000	\$ 901,985
Events	1,052,121	-	-	1,052,121
Government Grants	-	1,266,419	-	1,266,419
Other	6,627	-	-	6,627
Investment Income	-	24,279	36,467	60,746
Unrealized Gain (Loss) on Investments	-	(20,492)	30,897	10,405
Net Assets Released from Restrictions: Satisfaction of Usage Restrictions	1,663,585	(1,592,761)	(70,824)	-
Total Support and Revenue	3,599,318	(322,555)	21,540	3,298,303
<u>Expenses</u>				
Program Services	2,612,314	-	-	2,612,314
General and Administrative	228,686	-	-	228,686
Fundraising Expense	484,492	-	-	484,492
Total Expenses	3,325,492	-	-	3,325,492
Change in Net Assets	273,826	(322,555)	21,540	(27,189)
Net Assets, beginning of year	4,620,508	322,555	1,573,868	6,516,931
Net Assets, end of year	<u>\$ 4,894,334</u>	<u>\$ -</u>	<u>\$ 1,595,408</u>	<u>\$ 6,489,742</u>

The Notes to Financial Statements are an integral part of these statements.

2010

Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 842,475	\$ 100,000	\$ -	\$ 942,475
1,125,732	-	-	1,125,732
-	1,311,527	-	1,311,527
9,539	-	-	9,539
-	117,871	36,823	154,694
-	(80,278)	150,146	69,868
<u>1,488,533</u>	<u>(1,427,007)</u>	<u>(61,526)</u>	<u>-</u>
3,466,279	22,113	125,443	3,613,835
2,457,249	-	-	2,457,249
194,349	-	-	194,349
<u>433,649</u>	<u>-</u>	<u>-</u>	<u>433,649</u>
3,085,247	-	-	3,085,247
381,032	22,113	125,443	528,588
<u>4,239,476</u>	<u>300,442</u>	<u>1,448,425</u>	<u>5,988,343</u>
<u>\$ 4,620,508</u>	<u>\$ 322,555</u>	<u>\$ 1,573,868</u>	<u>\$ 6,516,931</u>

DALLAS CASA

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011			
	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising Expense</u>	<u>Total</u>
Salaries	\$ 1,669,764	\$ 160,426	\$ 192,403	\$ 2,022,593
Payroll Taxes	120,730	10,433	17,886	149,049
Employee Benefits	273,958	23,676	40,586	338,220
Total Personnel Costs	2,064,452	194,535	250,875	2,509,862
Occupancy Expenses	64,721	5,525	8,682	78,928
Office Expenses	48,570	4,146	6,515	59,231
Travel	101,398	391	652	102,441
Staff Training	19,576	1,651	2,359	23,586
Telephone	30,234	1,456	4,533	36,223
Insurance	23,459	1,979	2,826	28,264
Professional Services	21,103	1,779	2,543	25,425
Equipment Expense	40,752	3,479	5,467	49,698
Childrens' Sustenance	35,987	-	-	35,987
Volunteer Training and Conferences	65,891	5,558	7,938	79,387
Recruitment	25,261	2,183	3,742	31,186
Development Expenses	-	-	25,910	25,910
Event Costs	38,170	7,634	106,878	152,682
Other Expenses	22,262	1,877	2,683	26,822
Total Expenses Before Depreciation	2,601,836	232,193	431,603	3,265,632
Depreciation Expense	49,085	4,190	6,585	59,860
Total Expenses	\$ 2,650,921	\$ 236,383	\$ 438,188	\$ 3,325,492

The Notes to Financial Statements are an integral part of these statements.

2010

Program Services	General and Administrative	Fundraising Expense	Total
\$ 1,586,173	\$ 129,087	\$ 176,498	\$ 1,891,758
117,128	9,761	12,550	139,439
233,247	19,437	24,991	277,675
1,936,548	158,285	214,039	2,308,872
40,945	3,272	4,113	48,330
43,834	3,503	4,403	51,740
95,466	3,396	1,090	99,952
10,865	868	1,091	12,824
25,744	2,057	2,586	30,387
22,733	1,817	2,284	26,834
11,873	949	1,193	14,015
39,830	3,183	4,001	47,014
32,288	-	-	32,288
15,534	-	-	15,534
71,452	-	-	71,452
5,388	1,000	47,492	53,880
36,846	9,212	138,175	184,233
15,919	2,653	7,960	26,532
2,405,265	190,195	428,427	3,023,887
51,984	4,154	5,222	61,360
<u>\$ 2,457,249</u>	<u>\$ 194,349</u>	<u>\$ 433,649</u>	<u>\$ 3,085,247</u>

DALLAS CASA

STATEMENT OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011	2010
CASH FLOWS FROM ACTIVITIES		
Change in Net Assets	\$ (27,189)	\$ 528,588
Adjustments to Reconcile Change in Net Assets to Net Cash Provided From Activities		
Depreciation Expense	59,860	61,360
(Increase) decrease in Grants Receivable	19,856	(32,346)
(Increase) decrease in Other Receivables	(261)	4,323
(Increase) decrease in Prepaid Expenses	(22,160)	(983)
(Increase) decrease in Escrow Deposit	27,500	(27,500)
Increase (decrease) in Accounts Payable	24,532	40,995
Increase (decrease) in Deferred Revenues	1,201,769	(5,555)
Net Cash Provided From Activities	<u>1,283,907</u>	<u>568,882</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase) decrease in Investments	1,125,516	1,169,024
Purchase of Property and Equipment	(1,797,426)	(90,636)
Permanently Restricted Fund (Income) Loss	(21,540)	(125,443)
Net Cash Used by Investing Activities	<u>(693,450)</u>	<u>952,945</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan Proceeds	<u>1,400,000</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,990,457	1,521,827
CASH AND CASH EQUIVALENTS		
Beginning of Year	<u>2,115,978</u>	<u>594,151</u>
End of Year	<u>\$4,106,435</u>	<u>\$2,115,978</u>

The Notes to Financial Statements are an integral part of these statements.

DALLAS CASA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2011

NOTE 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities and Funding Sources

Dallas CASA ("Court Appointed Special Advocates") is a corporation organized under the Texas Non-Profit Corporation Act and was formed in January, 1980 to provide independent volunteer advocate services for children who are involved in the juvenile and family court system and who are currently in substitute care or who are candidates for the foster care system. It may accept only those cases assigned by the courts. Its primary goal is to achieve a permanent living arrangement for each child, which will serve that child's best interests. Dallas CASA is a member of both the National and Texas CASA associations.

Dallas CASA solicits and receives its funding from a variety of sources including contributions from individuals, corporations, foundations and associations, government grants and contracts, proceeds from sponsored events (such as golf tournaments), support from state and national CASA organizations and various other sources. For the year ended December 31, 2011 and 2010, unrestricted Total Revenue and Other Support (excluding investment transactions) were raised from the following sources:

Contributions, Grants and Other Support:	<u>2011</u>	<u>2010</u>
Texas CASA	10.8%	9.9%
Government Grants	8.4%	8.2%
County of Dallas	22.0%	22.8%
Foundations	5.3%	8.4%
Corporations	2.4%	2.7%
Organizations	3.6%	3.9%
Individuals and Other	18.2%	14.7%
Events, net of expenses	<u>29.3%</u>	<u>29.4%</u>
	<u>100.0%</u>	<u>100.0%</u>

Basis of Presentation

The combined financial statements include the accounts of Dallas CASA combined with its affiliates, Dallas CASA Property Corporation ("Property") and Dallas CASA Endowment Fund ("Endowment"). Property owns and manages the premises occupied by Dallas CASA and Endowment manages endowment funds established and funded by donors for the benefit of Dallas CASA. Property and Endowment are support organizations of which Dallas CASA has control by virtue of having the ability to elect the majority of the directors. All intercompany accounts and transactions have been eliminated in combination.

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues and related assets are recognized when earned, and expenses are recognized when the obligation is incurred. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions.

DALLAS CASA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2011

Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes.

Revenue Recognition

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or the nature of any donor stipulations. All donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending upon the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or the purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Gifts of goods or property are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, Dallas CASA reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Donated Services

A substantial number of volunteers have donated significant amounts of time to advocate services and in fundraising campaigns. During the years ended December 31, 2011 and 2010, Dallas CASA volunteers contributed service hours; however, these donated services are not reflected in the financial statements since the services do not require specialized skills that would typically be purchased if not provided by donation. The fair value of donated professional services (which consist of accounting, auditing and tax services) is reflected in the combined statement of activities, along with donated assets which are recorded at fair value on the date of the gift.

DALLAS CASA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2011

Property and Equipment

Property and equipment is stated at cost or, if donated, at the estimated fair value at the date of donation. Expenditures for property and equipment in excess of \$250 are capitalized and lesser amounts are expensed. The building, furniture and equipment are depreciated using straight-line methods over their estimated useful lives of 3 to 37.5 years. Computer software is amortized on the straight-line method over three years.

Federal Income Taxes

Dallas CASA and Endowment are exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and Property is exempt under Section 501(c)(2) and all entities are classified by the Internal Revenue Service as other than private foundations. Accordingly, no provision for federal income tax is reflected in the accompanying combined financial statements.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments with maturities at the date of purchase of ninety days or less to be cash equivalents. Cash and cash equivalents for purposes of the statement of cash flows exclude permanently restricted cash and cash equivalents.

NOTE 2. ENDOWMENT FUND INVESTMENTS

Investments of the endowment fund consist of shares of balanced index mutual funds stated at fair value based on quoted prices in active markets (all level 1 measurements) as of December 31, 2011 and 2010 and are comprised of the following funds:

	<u>2011</u>	<u>2010</u>
1991 Endowment Fund	\$1,029,770	\$1,032,026
Triage Lifeline Fund	540,657	541,842
Anonymous Fund	<u>24,981</u>	<u>-</u>
	<u>\$1,595,408</u>	<u>\$1,573,868</u>

In 1991, Dallas CASA was one of the beneficiaries of a fundraising effort by Crystal Charity Ball of Dallas which contributed \$500,000 for the establishment of an endowment fund. Income from this permanently restricted fund may be used for operating purposes including salaries of professional staff. If Dallas CASA (1) loses its tax-exempt status with the Internal Revenue Service; (2) goes out of existence; or (3) in any manner invades the corpus of the fund without the approval of the donor, the funds must be returned to the donor. The corpus is subject to annual adjustment for inflation and any funds in excess of the inflation-adjusted corpus are available for transfer to unrestricted funds. During 2011, the Board of Directors authorized a \$46,441 transfer from the fund to unrestricted funds and at December 31, 2011, approximately \$209,793 was available for transfer to unrestricted funds upon board approval. Dividend income of \$23,714 received during the year was reinvested in the fund.

DALLAS CASA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2011

Dallas Crystal Charity Ball created the Triage Lifeline Fund in 2002 through another fundraising. Earnings from this fund may be used for compensation of professional staff. If Dallas CASA loses its tax-exempt status or goes out of existence, the funds may be reclaimed by the donor. The corpus of the fund is subject to annual adjustment for inflation and funds in excess of the inflation-adjusted corpus are available for transfer to unrestricted funds. During 2011, the Board of Directors authorized an \$24,383 transfer from the fund to unrestricted funds and at December 31, 2011, approximately \$40,415 was available for transfer to unrestricted funds upon board approval. Dividend income of \$12,451 received during the year was reinvested in the fund.

In 2011 an anonymous donor contributed \$25,000 to the Endowment Fund. The terms of the gift state that 5% of the nominal (i.e. not adjusted for inflation) total balance as of the final business day of 2012, and the final business day of each succeeding year, be distributed for general operating expenses, no later than the last business day of January the succeeding year. Dividend income of \$302 received during the year was reinvested in the fund.

NOTE 3. DEFERRED REVENUES

Deferred revenues consist of receipts for the Dallas CASA Classic 2012 Golf Tournament and Cherish the Children project to be held in 2012, which were received in advance of the event. These revenues have been deferred and will be matched with the costs of staging the events in 2012.

Deferred revenues also include \$1,000,000 which was donated for the construction of a new building. The donation is refundable if construction of the building is not started by March, 2014. The donor committed to an additional \$4,000,000 for the construction of a new building to be paid in four \$1,000,000 installments on January 15, 2012, 2013, 2014, and 2015. The installment due on January 15, 2012 was received on January 15, 2012.

NOTE 4. 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.

NOTE 5. INVESTMENTS

Investments as of December 31, 2011, are summarized as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Carrying Value</u>
Permanently Restricted:			
Vanguard Mutual Funds	\$ 896,834	\$1,595,408	\$1,595,408

DALLAS CASA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2011

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended December 31, 2011:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Interest and dividends	\$ -	\$ 24,279	\$ 36,467	\$ 60,746
Unrealized gains (losses)	-	(20,492)	30,897	10,405
Total investment return (loss)	<u>\$ -</u>	<u>\$ 3,787</u>	<u>\$ 67,364</u>	<u>\$ 71,151</u>

NOTE 6. EMPLOYEE BENEFIT PLAN

The Organization has a defined contribution salary deferral plan or SIMPLE plan covering eligible employees who elect to participate. Under the plan, the Organization matches employee contributions up to three percent of each eligible employee's salary. Employer matching contributions to the plan in 2011 was \$43,824 and \$42,364 in 2010.

NOTE 7. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used by the Organization in estimating its fair value disclosures for financial instruments.

- Cash, cash equivalents, accounts payable and deferred revenue: The carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.
- Short-term and endowment investments: The fair values of investments are based on quoted market prices for those or similar investments.

The estimated fair values of the Organization's financial instruments, none of which are held for trading purposes, are as follows:

	<u>Carrying Amount</u>	<u>Fair Value</u>
Financial Assets:		
Cash and cash equivalents	\$ 4,106,434	\$ 4,106,434
Endowment investments:		
Investments	1,595,408	1,595,408
Accounts payable	(86,377)	(86,377)
Deferred revenue	(1,267,075)	(1,267,075)

NOTE 8. FUNCTIONAL ALLOCATION OF EXPENSES

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

DALLAS CASA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2011

NOTE 9. NOTE PAYABLE

On March 24, 2011 Dallas CASA purchased 1.3 acres of land as the future site of its offices. The purchase price was paid in full by donor contributions, including \$1.4 million from The Rees-Jones Foundation. The Rees-Jones funding is a contingent interest free loan to Dallas CASA that will transition to a grant when Dallas CASA breaks ground by March 31, 2014.

NOTE 10. SUBSEQUENT EVENTS

Management evaluates subsequent events through the date of the report, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

DALLAS CASA

SCHEDULE OF TEXAS CASA GRANT AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011

<u>Texas CASA Grant Year</u>	<u>Grant Amount</u>	<u>Accrued at 12/31/2010</u>	<u>Grant Receipts</u>	<u>Grant Disbursements</u>	<u>Accrued at 12/31/2011</u>
2010-2011	\$ 296,820	\$ 49,470	\$ 247,350	\$ 197,880	\$ -
2011-2012	\$ 396,820	-	66,137	132,039	65,902
		<u>\$ 49,470</u>	<u>\$ 313,487</u>	<u>\$ 329,919</u>	<u>\$ 65,902</u>

DALLAS CASA

SCHEDULE OF VOCA GRANT AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011

<u>VOCA Grant Year</u>	<u>Grant Amount</u>	<u>Accrued at 12/31/2010</u>	<u>Grant Receipts</u>	<u>Grant Disbursements</u>	<u>Accrued at 12/31/2011</u>
2010-2011	\$ 209,448	\$ 34,908	\$ 174,540	\$ 139,632	\$ -
2011-2012	\$ 214,467	-	35,744	71,489	35,745
		<u>\$ 34,908</u>	<u>\$ 210,284</u>	<u>\$ 211,121</u>	<u>\$ 35,745</u>

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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*

Board of Directors
Dallas CASA
Dallas, Texas

We have audited the financial statements of Dallas CASA (the "Organization") as of and for the year ended December 31, 2011, and have issued our report thereon dated May 25, 2012. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Organization's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

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 Organization's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of 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 internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Directors, others within the Organization, and appropriate federal, state, and local awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Hankins, Eastup, Deaton, Tonn & Seay
A Professional Corporation
Certified Public Accountants

May 25, 2012