

DALLAS CASA  
COMBINED FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITOR'S REPORT  
DECEMBER 31, 2015 AND 2014

DALLAS CASA  
DECEMBER 31, 2015 AND 2014

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## Independent Auditor's Report

To the Board of Directors  
Dallas CASA

### Report on the Financial Statements

We have audited the accompanying combined financial statements of Dallas CASA, which comprise the combined statements of financial position as of December 31, 2015 and 2014, and the related combined statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the combined 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.

### 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 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 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 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the financial position of Dallas CASA as of December 31, 2015 and 2014, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 10, 2016, 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 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 Dallas CASA's internal control over financial reporting and compliance.

LANE GORMAN TRUBITT, PLLC

Dallas, Texas  
May 10, 2016

Dallas CASA  
 COMBINED STATEMENTS OF FINANCIAL POSITION  
 December 31,

	2015	2014
<b>ASSETS</b>		
Cash and cash equivalents	\$ 5,628,304	\$ 2,410,485
Investments	11,717,821	6,934,164
Investments - endowment	1,939,568	2,021,145
Grants receivable	533,640	485,946
Pledges receivable, net	3,304,079	3,433,745
Other receivables	126,496	87,481
Prepaid expenses	63,578	37,779
Beneficial interest in agency endowment	125,012	-
Property and equipment, net	9,604,417	9,911,799
Total assets	\$ 33,042,915	\$ 25,322,544
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 69,910	\$ 46,076
Accrued liabilities	75,357	75,787
Deferred revenue	22,500	35,000
Total liabilities	167,767	156,863
<b>COMMITMENTS AND CONTINGENCIES</b>		
	-	-
<b>NET ASSETS</b>		
Unrestricted		
Board designated operating reserve	2,935,794	2,682,324
Board designated strategic growth reserve	11,400,000	-
Property and equipment	9,604,417	9,911,799
Other	3,566,278	7,116,668
Total unrestricted	27,506,489	19,710,791
Temporarily restricted	3,988,019	4,083,848
Permanently restricted	1,380,640	1,371,042
Total net assets	32,875,148	25,165,681
Total liabilities and net assets	\$ 33,042,915	\$ 25,322,544

The accompanying notes are an integral part of these combined financial statements.

Dallas CASA  
 COMBINED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
 Year Ended December 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUES</b>				
Contributions	\$ 8,131,075	\$ 125,000	\$ -	\$ 8,256,075
In-kind contributions	108,560	-	-	108,560
Government grants	2,398,528	-	-	2,398,528
Special events, net of direct event costs of \$529,113	2,370,935	-	-	2,370,935
Other revenues				
Investment income	184,738	40,100	-	224,838
Net realized and unrealized gains (losses) on investments	-	(30,550)	9,598	(20,952)
Net assets released from restrictions	230,379	(230,379)	-	-
Total revenues	13,424,215	(95,829)	9,598	13,337,984
<b>EXPENSES</b>				
Program services	4,647,692	-	-	4,647,692
Supporting services				
General and administrative	410,138	-	-	410,138
Fundraising	570,687	-	-	570,687
Total expenses	5,628,517	-	-	5,628,517
<b>CHANGES IN NET ASSETS</b>	7,795,698	(95,829)	9,598	7,709,467
<b>NET ASSETS AT BEGINNING OF YEAR</b>	19,710,791	4,083,848	1,371,042	25,165,681
<b>NET ASSETS AT END OF YEAR</b>	\$ 27,506,489	\$ 3,988,019	\$ 1,380,640	\$ 32,875,148

The accompanying notes are an integral part of these combined financial statements.

Dallas CASA  
 COMBINED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
 Year Ended December 31, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUES</b>				
Contributions	\$ 6,089,143	\$ -	\$ -	\$ 6,089,143
In-kind contributions	31,640	-	-	31,640
Government grants	2,232,633	-	-	2,232,633
Special events, net of direct event costs of \$470,638	2,527,071	-	-	2,527,071
Other revenues				
Investment income	73,662	38,347	-	112,009
Net realized and unrealized gains on investments	-	134,456	10,881	145,337
Gain on sale of property and equipment	93,984	-	-	93,984
Other income	7,444	-	-	7,444
Net assets released from restrictions	985,971	(985,971)	-	-
Total revenues	12,041,548	(813,168)	10,881	11,239,261
<b>EXPENSES</b>				
Program services	4,254,829	-	-	4,254,829
Supporting services				
General and administrative	417,649	-	-	417,649
Fundraising	604,062	-	-	604,062
Total expenses	5,276,540	-	-	5,276,540
<b>CHANGES IN NET ASSETS</b>	6,765,008	(813,168)	10,881	5,962,721
<b>NET ASSETS AT BEGINNING OF YEAR</b>	12,945,783	4,897,016	1,360,161	19,202,960
<b>NET ASSETS AT END OF YEAR</b>	\$ 19,710,791	\$ 4,083,848	\$ 1,371,042	\$ 25,165,681

The accompanying notes are an integral part of these combined financial statements.

Dallas CASA  
 COMBINED STATEMENT OF FUNCTIONAL EXPENSES  
 Year Ended December 31, 2015

	Program Services	General and Administrative	Fundraising Expense	Total
Salaries	\$ 2,812,574	\$ 270,934	\$ 269,869	\$ 3,353,377
Payroll taxes	201,682	19,428	19,352	240,462
Employee benefits	487,319	46,944	46,759	581,022
Total personnel costs	3,501,575	337,306	335,980	4,174,861
Occupancy	90,321	10,036	11,149	111,506
Office	55,237	6,137	6,819	68,193
Travel	163,464	1,216	1,033	165,713
Training	12,428	1,197	1,192	14,817
Telephone	46,843	3,125	2,531	52,499
Insurance	55,669	6,185	6,873	68,727
Professional services	41,756	4,022	28,507	74,285
Equipment	67,484	6,501	6,475	80,460
Childrens' sustenance	41,688	-	-	41,688
Volunteer training and conferences	26,872	2,589	2,578	32,039
Recruitment	226,694	-	-	226,694
Development	-	-	47,877	47,877
Event costs	28,189	-	84,567	112,756
Other	22,969	2,212	2,204	27,385
Total expenses before depreciation	4,381,189	380,526	537,785	5,299,500
Depreciation	266,503	29,612	32,902	329,017
Total expenses	<u>\$ 4,647,692</u>	<u>\$ 410,138</u>	<u>\$ 570,687</u>	<u>\$ 5,628,517</u>

The accompanying notes are an integral part of these combined financial statements.



Dallas CASA  
 COMBINED STATEMENT OF FUNCTIONAL EXPENSES  
 Year Ended December 31, 2014

	Program Services	General and Administrative	Fundraising Expense	Total
Salaries	\$ 2,586,648	\$ 244,709	\$ 303,452	\$ 3,134,809
Payroll taxes	194,155	18,356	22,828	235,339
Employee benefits	448,818	42,434	52,770	544,022
Total personnel costs	3,229,621	305,499	379,050	3,914,170
Occupancy	78,287	8,619	8,858	95,764
Office	63,449	6,985	7,179	77,613
Travel	104,732	1,800	2,207	108,739
Training	12,502	1,182	1,470	15,154
Telephone	46,259	2,827	2,823	51,909
Insurance	42,806	4,713	4,843	52,362
Professional services	84,004	7,942	9,877	101,823
Equipment	66,292	6,999	9,058	82,349
Childrens' sustenance	58,212	-	-	58,212
Volunteer training and conferences	11,797	1,115	1,387	14,299
Recruitment	167,399	-	-	167,399
Development	-	-	52,403	52,403
Event costs	31,883	-	95,650	127,533
Other	25,109	2,374	2,952	30,435
Total expenses before depreciation and bad debt expense	4,022,352	350,055	577,757	4,950,164
Depreciation	232,477	25,594	26,305	284,376
Bad debt expense	-	42,000	-	42,000
Total expenses	<u>\$ 4,254,829</u>	<u>\$ 417,649</u>	<u>\$ 604,062</u>	<u>\$ 5,276,540</u>

The accompanying notes are an integral part of these combined financial statements.

Dallas CASA  
 COMBINED STATEMENTS OF CASH FLOWS  
 Years Ended December 31,

	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 7,709,467	\$ 5,962,721
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	329,017	284,376
Bad debt expense	-	42,000
Net realized and unrealized losses (gains) on investments	29,576	(145,337)
Change in value of beneficial interest in agency endowment	(12)	-
Gain on sale of property and equipment	-	(93,984)
Change in operating assets and liabilities, net:		
Grants receivable	(47,694)	(113,071)
Pledges receivable	129,666	857,225
Other receivables	(39,015)	(87,481)
Prepaid expenses	(25,799)	(3,629)
Accounts payable	23,834	(52,679)
Accrued liabilities	(430)	(482)
Deferred revenue	(12,500)	6,000
Net cash provided by operating activities	8,096,110	6,655,659
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investments	(4,949,895)	(6,972,510)
Redemption of corporate bond	127,124	-
Sales of investments for endowment distributions	91,115	86,746
Transfer resulting in beneficial interest in agency endowment	(125,000)	-
Proceeds from sale of property and equipment	-	1,392,646
Purchases of property and equipment	(21,635)	(2,084,820)
Net cash used in investing activities	(4,878,291)	(7,577,938)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on note payable	-	(1,000)
Payments of construction payable used to finance property and equipment	-	(1,007,891)
Net cash used in financing activities	-	(1,008,891)
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	3,217,819	(1,931,170)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	2,410,485	4,341,655
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	\$ 5,628,304	\$ 2,410,485
Supplemental disclosure of cash flow information:		
Income taxes paid	\$ -	\$ -
Interest paid	\$ -	\$ -

The accompanying notes are an integral part of these combined financial statements.

Dallas CASA  
NOTES TO COMBINED FINANCIAL STATEMENTS

NATURE OF OPERATIONS

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 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 Texas CASA and various other sources.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies consistently applied in the preparation of the accompanying financial statements is as follows:

Basis of Accounting

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 (“GAAP”).

Principles of Combination

The combined financial statements include the accounts of Dallas CASA combined with its affiliates, Dallas CASA Property Corporation (“Property”) and Dallas CASA Endowment Fund (“DCEF”). As of December 31, 2014 Property was dissolved. DCEF manages endowment funds established and funded by donors for the benefit of Dallas CASA. DCEF is a support organization 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.

Basis of Presentation

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

*Unrestricted net assets* – Net assets not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

*Temporarily restricted net assets* – Net assets subject to donor-imposed stipulations that may or will be met by actions of Dallas CASA and/or the passage of time.

*Permanently restricted net assets* – Net assets subject to donor-imposed stipulations that they be maintained permanently by Dallas CASA. Generally, the donors of these assets permit Dallas CASA to use all or part of the income earned on 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 revenue, 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 revenue.

Dallas CASA  
NOTES TO COMBINED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Contributions are recognized as revenues in the period unconditional promises to give are received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Contributions of goods or property are reported as unrestricted revenue 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 revenue. 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.

Special event revenues are considered to be conditioned upon the occurrence of the sponsored event or gala. Receipts prior to the event are classified as deferred revenue and are recognized when the event occurs. Grant revenue is recognized as contract terms are fulfilled. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Contributed Services

Contributed services are recognized in the accompanying financial statements if the services received (a) create or enhance non-financial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Any services that meet the criteria for recognition are recorded in the accompanying statement of activities and changes in net assets at the estimated fair value of the services received.

In addition, a substantial number of volunteers have donated significant amounts of time to advocate services and in fundraising campaigns. Approximately 50,900 and 49,100 hours were donated during 2015 and 2014, respectively. However, no amounts have been reflected in the financial statements since the fair market value of these services is not readily determinable, and these services do not meet the criteria for revenue recognition.

Cash and Investments

Cash and investments reflected on the statements of financial position include a Designated Operating Reserve as well as a Designated Strategic Growth Reserve that is made up of funds raised as part of an extraordinary campaign to support a significant expansion of program capacity. These campaign funds will be drawn down over the next several years to grow the program at a more accelerated rate than historical annual revenues would permit.

Cash and cash equivalents consist of cash on hand and all highly liquid investments purchased with an initial maturity of three months or less. Dallas CASA maintains its cash balances in high-credit-quality financial institutions, which at times may exceed federally insured limits. Dallas CASA has not incurred any losses in these accounts and does not believe that they are exposed to any significant credit risk on cash and cash equivalents.

Cash and securities maintained through a registered securities dealer are insured up to \$500,000 by the Securities Investor Protection Corporation ("SIPC"). SIPC covers losses from fraud and negligence of the registered securities dealer but not against market losses or investment return. Balances held in accounts may still at times exceed insured limits. Dallas CASA has not incurred any losses in these accounts, outside normal trading activities, and does not believe that they are exposed to any significant credit risk.

Investments are stated at fair value. Realized gains and losses on disposition of investments are based on specific identification of securities sold. Dividend and interest income is recorded as earned on the accrual basis. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in the accompanying statement of activities and changes in net assets.

Dallas CASA  
NOTES TO COMBINED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Investments (Continued)

Investment securities are exposed to various risks, such as interest rate, overall market volatility, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

Receivables

Grants receivable consist of amounts due from government agencies and represent amounts due to Dallas CASA in accordance with cost-reimbursement contracts. Other receivables consist of amounts due from organizations for special events, miscellaneous reimbursements, and accrued investment income. Pledges receivable are primarily from foundations, corporations, organizations or individuals. Receivables are stated at the amount that management expects to collect.

Grant receivables are considered fully collectible by management. Dallas CASA determines its allowance for doubtful accounts based on past due amounts and other available information regarding the current status of individual accounts and current economic conditions. Dallas CASA writes off receivables when they become uncollectible. Recoveries of receivables previously written off are recorded when received. In the event of complete nonperformance, the maximum exposure to Dallas CASA is the outstanding receivable balance at the date of nonperformance.

Beneficial Interest in Agency Endowment

During 2015, Dallas CASA established an agency endowment at a community foundation, The Dallas Foundation. The value of the beneficial interest is based upon the fair value of the assets held by the community foundation. Dallas CASA has a beneficial interest in the agency endowment valued at \$125,012 as of December 31, 2015. Subsequent changes in the value of the underlying assets are recorded in the statements of activities and changes in net assets as net realized and unrealized gains (losses) on investments.

Property and Equipment

Property and equipment is carried at cost as of the date of acquisition or fair value as of the date of donation, less accumulated depreciation. Depreciation is provided in amounts sufficient to relate the cost of depreciable assets over their estimated useful lives of 3 to 39 years on the straight-line method. Computer software is amortized on the straight-line method over three years. Dallas CASA capitalizes property and equipment in excess of \$2,500 which have a useful life greater than one year.

Income Taxes

Dallas CASA is exempt from federal income tax under 501(c)(3) of the United States Internal Revenue Code (the "Code"), except to the extent it has unrelated business income. In addition, Dallas CASA has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code. For the years ended December 31, 2015 and 2014, Dallas CASA had no net unrelated business income. Accordingly, no provision for income tax has been provided in the accompanying consolidated financial statements.

Management evaluates the tax positions taken or expected to be taken in the course of preparing its tax returns to determine whether the tax positions are more likely than not of being sustained by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax benefit or expense in the current year. A reconciliation is not provided herein, as the beginning and ending amounts of unrecognized benefits are zero, with no interim additions, reductions, or settlements. Dallas CASA is relying on its tax-exempt status and its adherence to all applicable laws and regulations to preserve that status. However, the conclusions regarding accounting for uncertainty in income taxes will be subject to review and may be adjusted at a later date based on factors including, but not limited to, ongoing analysis of tax laws, regulations, and interpretations thereof.

Dallas CASA  
NOTES TO COMBINED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)

Dallas CASA recognizes interest and penalties, if any, related to uncertain tax positions as income tax expense. Dallas CASA's informational returns are generally subject to examination for three years after the later of the due date or date of filing. As a result, Dallas CASA is no longer subject to income tax examinations by tax authorities for years prior to fiscal year 2012.

Functional Allocation of Expenses

The costs of providing the various program and supporting services have been summarized on a functional basis in the accompanying statement of activities and changes in net assets. Specific expenses that are readily identifiable to a single program or supporting services are charged directly to that function. However, many expenses relate to more than one function. Accordingly, certain costs have been allocated among the programs and supporting services.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassification

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation of the current year financial statements.

2. ENDOWMENTS

Dallas CASA Endowment Fund ("DCEF") has three endowment funds and Dallas CASA has one endowment fund, all of which are donor-restricted and any income from the funds may be used for operating purposes. Net assets associated with endowment funds, including quasi-endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. All funds in the DCEF, unless otherwise designated by the donor, are given and are to be held in perpetuity, with the intent to retain the principal or original corpus of the funds, with appropriate adjustments for inflation as may be required by the donor or by the Board of Directors of the DCEF or the Board of Dallas CASA.

In 1991, Dallas CASA was one of the beneficiaries of a fundraising effort by The 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 loses its tax-exempt status with the Internal Revenue Services or goes out of existence the funds must be returned to the donor. The corpus will not be invaded for operating expenses and is subject to annual adjustment for inflation. Any funds in excess of the inflation-adjusted corpus are available for transfer to unrestricted funds.

The Crystal Charity Ball of Dallas created the Triage Lifeline Fund in 2003 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.

In 2012, an anonymous donor contributed \$25,000 to Dallas CASA that is held by DCEF. 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 2013, and the final business day of each succeeding year, be distributed for general operating expenses, no later than the last business day of January of the succeeding year.

Dallas CASA  
NOTES TO COMBINED FINANCIAL STATEMENTS

2. ENDOWMENTS (Continued)

In 2015, a donor contributed \$125,000 to Dallas CASA. Dallas CASA used the contribution of \$125,000 to establish an agency endowment at a community foundation. Under the terms of the agency endowment agreement, variance power was granted to the community foundation. The community foundation will follow the express wishes of Dallas CASA concerning the timing of distributions, intended beneficiary, and charitable purpose as long as the Board of Governors of the community foundation determines the wishes are consistent with the charitable needs of the community and necessary to achieve the charitable intent of Dallas CASA.

Interpretation of Relevant Law

The Boards of DCEF and Dallas CASA have interpreted the Texas Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, DCEF and Dallas CASA classify as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by DCEF or Dallas CASA in a manner consistent with the standard of prudence prescribed by UPMIFA.

The following factors are considered in making a determination to appropriate or accumulate donor restricted endowment funds: 1) the duration and preservation of the fund; 2) the purposes of Dallas CASA and the donor restricted endowment fund; 3) general economic conditions; 4) the possible effect of inflation and deflation; 5) the expected total return from income and the appreciation of investments; 6) other resources of Dallas CASA; and 7) the investment policies of Dallas CASA.

Endowment net assets consist of the following at December 31, 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
1991 Endowment Fund	\$ -	\$ 393,848	\$ 857,504	\$ 1,251,352
2003 Triage Lifeline Fund	-	133,856	523,136	656,992
Anonymous Fund	-	31,224	-	31,224
Total DCEF endowment net assets	<u>-</u>	<u>558,928</u>	<u>1,380,640</u>	<u>1,939,568</u>
2015 Agency Endowment Fund	<u>-</u>	<u>125,012</u>	<u>-</u>	<u>125,012</u>
Endowment net assets	<u>\$ -</u>	<u>\$ 683,940</u>	<u>\$ 1,380,640</u>	<u>\$ 2,064,580</u>

Dallas CASA  
NOTES TO COMBINED FINANCIAL STATEMENTS

2. ENDOWMENTS (Continued)

Interpretation of Relevant Law (Continued)

Changes in endowment net assets are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets at beginning of year	\$ -	\$ 650,103	\$ 1,371,042	\$ 2,021,145
Investment return:				
Investment income	-	40,100	-	40,100
Net depreciation (realized and unrealized)	-	(30,562)	-	(30,562)
Change in beneficial interest in agency endowment	-	12	-	12
Total investment return	<u>-</u>	<u>9,550</u>	<u>-</u>	<u>9,550</u>
Contributions	-	-	-	-
Transfer to beneficial interest in agency endowment	-	125,000	-	125,000
Annual adjustment to corpus for inflation	-	(9,598)	9,598	-
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(91,115)</u>	<u>-</u>	<u>(91,115)</u>
Endowment net assets at end of year	<u>\$ -</u>	<u>\$ 683,940</u>	<u>\$ 1,380,640</u>	<u>\$ 2,064,580</u>

Endowment net assets consist of the following at December 31, 2014:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
1991 Endowment Fund	\$ -	\$ 452,329	\$ 851,543	\$ 1,303,872
2003 Triage Lifeline Fund	-	165,068	519,499	684,567
Anonymous Fund	-	32,706	-	32,706
Endowment net assets	<u>\$ -</u>	<u>\$ 650,103</u>	<u>\$ 1,371,042</u>	<u>\$ 2,021,145</u>

Changes in endowment net assets are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets at beginning of year	\$ -	\$ 564,046	\$ 1,360,161	\$ 1,924,207
Investment return:				
Investment income	-	38,347	-	38,347
Net appreciation (realized and unrealized)	-	134,456	10,881	145,337
Total investment return	<u>-</u>	<u>172,803</u>	<u>10,881</u>	<u>183,684</u>
Contributions	-	-	-	-
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(86,746)</u>	<u>-</u>	<u>(86,746)</u>
Endowment net assets at end of year	<u>\$ -</u>	<u>\$ 650,103</u>	<u>\$ 1,371,042</u>	<u>\$ 2,021,145</u>



Dallas CASA  
NOTES TO COMBINED FINANCIAL STATEMENTS

2. ENDOWMENTS (Continued)

Funds with Deficiencies

From time to time, unfavorable market conditions may cause the fair value of assets associated with individual donor restricted endowment funds to fall below the level that the donor or UPMIFA requires Dallas CASA to retain as a fund of perpetual duration. Subsequent gains that restore the fair value of the assets of the endowment fund to the required level will be classified as an increase in unrestricted net assets. There were no funds with deficiencies at December 31, 2015 and 2014.

Return Objectives and Risk Parameters

Dallas CASA and DCEF have adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to operations, programs and other specified purposes supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Endowments include those assets of donor restricted funds that DCEF and Dallas CASA must hold in perpetuity or for a donor specified period as well as board designated funds. The general policy of the DCEF and Dallas CASA is to maintain a balanced portfolio, and to invest in acceptable marketable securities and cash equivalents, which seeks to both preserve the corpus and to grow the net asset value of the portfolio while seeking to maintain a moderate risk profile.

Strategies Employed for Achieving Objectives

DCEF and Dallas CASA's investment policies for endowment assets attempt to provide a predictable stream of income sufficient to support donor objectives and to preserve or increase the purchasing power of the assets supported by its endowments. The investment policies establish an achievable return objective through diversification of asset classes. As identified in the Endowment Fund policies, the Board of the DCEF will maintain reasonable diversification within both equity and fixed income securities so as to provide for the investment objectives while avoiding undue risk concentration in asset classes, securities or companies.

To satisfy their long-term rate-of-return objectives, DCEF and Dallas CASA rely on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield, such as interest and dividends. DCEF and Dallas CASA target a diversified asset allocation that places a greater emphasis on equity-based investments to achieve their long-term return objectives within prudent risk constraints.

The asset allocation of the DCEF and Dallas CASA is approximately 60% in equity securities and approximately 40% in bonds or other income producing securities which are acceptable investments, although the Board of the DCEF or Dallas CASA Board, respectively, may vary this allocation, in the exercise of their discretion.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The investment earnings of endowments are allocated between current distribution and reinvestment based upon the requirements of the donors. Subject to the specific limitations placed by any donor upon funds contributed and subject to the availability of funds, it is the policy of the DCEF to distribute to the operating fund of Dallas CASA each year, in one or more distributions, an amount which is equal to 4.5% - 5% of the net asset value of the funds in the Endowment Fund at the prior December 31. Distributions from the agency endowment held by the community foundation are made annually based on the agency agreement between the community foundation and Dallas CASA.

Notwithstanding the foregoing, distributions will not be made which, after giving effect to the distribution, would reduce the net asset value of any donated funds to an amount less than the minimum amount specified by the donor of such funds, including any adjustments for inflation (the "Minimum Yearly Fund Balance"). Distributions of less than 4.5% of net asset value at the prior December 31 ("Partial Distributions") may be made in any year in which the net asset value of any particular fund is less than 104.5% of the Minimum Yearly Fund Balance. It is the policy of the DCEF to make any Partial Distributions in the amount equal to the amount by which the net asset value at the prior December 31 exceeds the Minimum Yearly Fund Balance. This is consistent with Dallas DCEF and CASA's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Dallas CASA  
NOTES TO COMBINED FINANCIAL STATEMENTS

3. PLEDGES RECEIVABLE

Pledges receivables consist of the following at December 31:

	2015	2014
Pledges receivables	\$ 3,346,079	\$ 3,475,745
Less: allowance for uncollectible pledges	(42,000)	(42,000)
	\$ 3,304,079	\$ 3,433,745

The present value adjustment on pledges receivable is not material to the financial statements taken as a whole.

Pledges receivables are expected to be collected in:

Less than one year	\$ 1,277,983
One to five years	2,068,096
Greater than five years	-
	\$ 3,346,079

4. INVESTMENTS AND FAIR VALUE MEASUREMENTS

In determining fair value, Dallas CASA uses various valuation approaches. Dallas CASA uses a fair value hierarchy for inputs used in measuring fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the “exit price”) in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that participants would use in pricing the asset or liability.

As a basis for considering market participant assumptions in fair value measurements, Dallas CASA uses a three-tier hierarchy to distinguish between various types of inputs used in determining the value of its financial instruments. The inputs are summarized in three levels as outlined below:

*Level 1 Inputs* – Quoted prices (unadjusted) in active markets for identical assets and liabilities. Valuations of these instruments do not require a high degree of judgement since the valuations are based on quoted prices in active markets.

*Level 2 Inputs* – Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities that are not active; and inputs other than quoted prices that are observable, such as models or other valuation methodologies. Valuations in this category are inherently less reliable than quoted market prices due to the degree of subjectivity involved in determining appropriate methodologies and the applicable underlying assumptions.

*Level 3 Inputs* – Unobservable inputs for the valuation of the asset or liability. These inputs require significant management judgement or estimation. These financial instruments have inputs that cannot be validated by readily determinable market data and generally involve considerable judgment by management.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the measurement falls in its entirety is determined based on the lowest level input that is significant. Dallas CASA’s assessment of the significance of a particular input to the fair value measurement in its entirety required judgment and considers factors specific to the financial instrument.

Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period. For the year ended December 31, 2015, there were no significant transfers among levels 1, 2, and 3.

Dallas CASA  
NOTES TO COMBINED FINANCIAL STATEMENTS

4. INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used as of December 31, 2015 and 2014.

*Fixed income securities:* Valued using pricing information from various sources including pricing vendors, and investment managers.

*Mutual funds:* Valued at the published market price, which represents the net asset value of the shares held by Dallas CASA.

*Beneficial interest in agency endowment:* Valued based on the fair value of the interest in a commingled pool that is made up of various assets of various fair value inputs, as determined by the community foundation which holds and administers the investments. The beneficial interest is considered Level 3 because it is not expected to be redeemed in the near term.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while Dallas CASA believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table summarizes the carrying amounts and estimated fair values by level, within the fair value hierarchy, of Dallas CASA's financial instruments measured at fair value in the statement of financial position as of December 31, 2015:

	<u>Carrying Amount</u>	<u>Measured at Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:					
Fixed income securities:					
Corporate bonds	\$ 11,717,821	\$ 11,717,821	\$ -	\$ 11,717,821	\$ -
Mutual funds:					
Balanced Index Fund (endowment)	1,939,568	1,939,568	1,939,568	-	-
Beneficial interest in agency endowment	<u>125,012</u>	<u>125,012</u>	<u>-</u>	<u>-</u>	<u>125,012</u>
	<u>\$ 13,782,401</u>	<u>\$ 13,782,401</u>	<u>\$ 1,939,568</u>	<u>\$ 11,717,821</u>	<u>\$ 125,012</u>

The following table summarizes the carrying amounts and estimated fair values by level, within the fair value hierarchy, of Dallas CASA's financial instruments measured at fair value in the statement of financial position as of December 31, 2014:

	<u>Carrying Amount</u>	<u>Measured at Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:					
Fixed income securities:					
Corporate bonds	\$ 6,934,164	\$ 6,934,164	\$ -	\$ 6,934,164	\$ -
Mutual funds:					
Balanced Index Fund (endowment)	<u>2,021,145</u>	<u>2,021,145</u>	<u>2,021,145</u>	<u>-</u>	<u>-</u>
	<u>\$ 8,955,309</u>	<u>\$ 8,955,309</u>	<u>\$ 2,021,145</u>	<u>\$ 6,934,164</u>	<u>\$ -</u>

The changes in Level 3 assets measured at fair value on a recurring basis are summarized as follows:

Balance at December 31, 2014	\$ -
Transfer to beneficial interest in agency endowment	125,000
Total net gain	<u>12</u>
Balance at December 31, 2015	<u>\$ 125,012</u>

Dallas CASA  
NOTES TO COMBINED FINANCIAL STATEMENTS

5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	2015	2014
Furniture and equipment	\$ 744,432	\$ 734,663
Computers and software	121,079	114,181
Land and building	9,347,838	9,342,869
	10,213,349	10,191,713
Less accumulated depreciation and amortization	(608,932)	(279,914)
	\$ 9,604,417	\$ 9,911,799

Depreciation expense was \$329,017 and \$284,376 for the years ended December 31, 2015 and 2014, respectively.

6. NOTES PAYABLE

On March 8, 2013, Dallas CASA entered into a loan agreement for the construction of a new office building. The construction loan agreement allowed for borrowing up to \$5,000,000, at a floating rate of Prime minus 1% with a stated floor and ceiling. Interest is payable on a monthly basis, with a maturity of March 18, 2016. The loan has an option to renew for three years to an amortizing balloon mortgage. The loan, which had a balance of \$1,000 as of December 31, 2013, was paid in full in 2014 and cancelled.

7. DEFERRED REVENUES

Deferred revenues of \$22,500 and \$35,000 as of December 31, 2015 and 2014, respectively, consist of donations for events to be held in 2016 and 2015, respectively.

8. NET ASSETS

Net assets consist of the following at December 31:

	2015	2014
Unrestricted:		
Board designated operating reserve	\$ 2,935,794	\$ 2,682,324
Board designated strategic growth reserve	11,400,000	-
Property and equipment	9,604,417	9,911,799
Other	3,566,218	7,116,668
	27,506,429	19,710,791
Temporarily restricted:		
Specific future periods	3,304,079	3,433,745
Specific program and support activities - endowment	683,940	650,103
	3,988,019	4,083,848
Permanently restricted:		
Endowment	1,380,640	1,371,042
	\$ 32,875,148	\$ 25,165,681

9. NET ASSETS RELEASED FROM RESTRICTION

The sources of net assets released from donor restrictions by incurring expenses satisfying the restricted purposes or by passage of time or occurrence of events specified by the donor were as follows for the year ended December 31:

	2015	2014
Fulfillment of use restrictions	\$ 91,115	\$ 86,746
Release of time restrictions	139,264	899,225
	\$ 230,379	\$ 985,971

Dallas CASA  
NOTES TO COMBINED FINANCIAL STATEMENTS

10. EMPLOYEE BENEFIT PLAN

Dallas CASA has a SIMPLE IRA Plan (Savings Incentive Match Plan for Employees) covering eligible employees who elect to participate. Under the Plan, Dallas CASA matches employee contributions up to three percent of each eligible employee's salary. Employer matching contributions in 2015 and 2014 were \$81,970 and \$67,117, respectively.

11. IN-KIND CONTRIBUTIONS

Dallas CASA receives in-kind contributions consisting of donated materials and professional services. Contributed services are recorded if the service (a) creates or enhances nonfinancial assets or (b) requires specialized skills which would typically need to be purchased if not contributed. In-kind donations are included in total revenues and expenses in the accompanying statements of activities and changes in net assets at their estimated fair values for the years ended December 31:

	2015	2014
Special event gift items	\$ 46,390	\$ 27,500
Other	62,170	4,140
	\$ 108,560	\$ 31,640

12. COMMITMENTS, CONTINGENCIES, AND CONCENTRATIONS

Federal, state, and other grants are subject to periodic review and assessment by related federal, state, and other agencies. Dallas CASA believes the ultimate outcome of these matters will not have a material effect on Dallas CASA's financial position, results of operations, or cash flows.

For the years ended December 31, grants and contributions were raised from the following sources:

	2015	2014
Grants:		
Texas CASA - federal	\$ 309,584	\$ 247,549
State of Texas	42,000	42,000
Texas CASA – state of Texas	796,972	693,092
County of Dallas	1,249,972	1,249,992
	\$ 2,398,528	\$ 2,232,633
Contributions:		
Foundations	\$ 6,722,705	\$ 4,152,572
Corporations	29,522	146,798
Organizations	149,290	170,556
Individuals	1,097,683	722,759
Board of directors and other related parties	221,340	858,509
Other	35,535	37,949
	\$ 8,256,075	\$ 6,089,143

Contributions from two donors in 2015 and one donor in 2014 comprise 35% and 15% of contribution revenue for the years ended December 31, 2015 and 2014. At December 31, 2015 two donors comprise approximately 26% of net pledge receivables and three donors comprise approximately 46% of net pledge receivables at December 31, 2014.

13. RELATED PARTY DONATIONS

Pledge receivables from current and former board members, employees and other related parties were approximately \$2,185,000 and \$2,667,000 at December 31, 2015 and 2014, respectively. In addition, for the years ended December 31, 2015 and 2014 contributions from current and former board members, employees and other related parties were approximately \$605,000 and \$1,146,000, which includes \$384,000 and \$287,000, respectively, in revenues from special events.

Dallas CASA  
NOTES TO COMBINED FINANCIAL STATEMENTS

14. SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 10, 2016, the date the financial statements were available to be issued. Management is not aware of any subsequent events which would require recognition or disclosure in the combined financial statements.