

DALLAS CASA  
COMBINED FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITOR'S REPORT  
DECEMBER 31, 2016 AND 2015

DALLAS CASA  
DECEMBER 31, 2016 AND 2015  
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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, 2016 and 2015, 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, 2016 and 2015, 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 9, 2017, 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, LLC

Dallas, Texas  
May 9, 2017

Dallas CASA  
 COMBINED STATEMENTS OF FINANCIAL POSITION  
 December 31,

	2016	2015
<b>ASSETS</b>		
Cash and cash equivalents	\$ 4,664,717	\$ 5,628,304
Investments	17,588,836	11,717,821
Investments - endowment	2,011,664	1,939,568
Grants receivable	463,921	533,640
Pledges receivable, net	2,176,114	3,304,079
Other receivables	168,599	126,496
Prepaid expenses	127,987	63,578
Beneficial interest in agency endowment	147,905	125,012
Property and equipment, net	9,286,537	9,604,417
Total assets	\$ 36,636,280	\$ 33,042,915
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 33,705	\$ 69,910
Accrued liabilities	105,367	75,357
Deferred revenue	22,260	22,500
Total liabilities	161,332	167,767
<b>COMMITMENTS AND CONTINGENCIES</b>		
	-	-
<b>NET ASSETS</b>		
Unrestricted		
Board designated operating reserve	3,158,984	2,935,794
Board designated strategic growth reserve	11,400,000	11,400,000
Property and equipment	9,286,537	9,604,417
Other	8,293,744	3,566,278
Total unrestricted	32,139,265	27,506,489
Temporarily restricted	2,926,049	3,988,019
Permanently restricted	1,409,634	1,380,640
Total net assets	36,474,948	32,875,148
Total liabilities and net assets	\$ 36,636,280	\$ 33,042,915

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, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUES</b>				
Contributions	\$ 4,235,098	\$ 15,000	\$ -	\$ 4,250,098
In-kind contributions	74,837	-	-	74,837
Government grants	2,692,546	-	-	2,692,546
Special events, net of direct event costs of \$608,853	2,106,429	-	-	2,106,429
Other revenues				
Investment income	294,177	41,416	-	335,593
Net realized and unrealized gains on investments	2,421	97,016	28,994	128,431
Miscellaneous income	11,731			11,731
Net assets released from restrictions	<u>1,215,402</u>	<u>(1,215,402)</u>	<u>-</u>	<u>-</u>
Total revenues	<u>10,632,641</u>	<u>(1,061,970)</u>	<u>28,994</u>	<u>9,599,665</u>
<b>EXPENSES</b>				
Program services	5,033,864	-	-	5,033,864
Supporting services				
General and administrative	438,499	-	-	438,499
Fundraising	<u>527,502</u>	<u>-</u>	<u>-</u>	<u>527,502</u>
Total expenses	<u>5,999,865</u>	<u>-</u>	<u>-</u>	<u>5,999,865</u>
<b>CHANGES IN NET ASSETS</b>	4,632,776	(1,061,970)	28,994	3,599,800
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>27,506,489</u>	<u>3,988,019</u>	<u>1,380,640</u>	<u>32,875,148</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 32,139,265</u>	<u>\$ 2,926,049</u>	<u>\$ 1,409,634</u>	<u>\$ 36,474,948</u>

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<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	<u>230,379</u>	<u>(230,379)</u>	<u>-</u>	<u>-</u>
Total revenues	<u>13,424,215</u>	<u>(95,829)</u>	<u>9,598</u>	<u>13,337,984</u>
<b>EXPENSES</b>				
Program services	4,647,692	-	-	4,647,692
Supporting services				
General and administrative	410,138	-	-	410,138
Fundraising	<u>570,687</u>	<u>-</u>	<u>-</u>	<u>570,687</u>
Total expenses	<u>5,628,517</u>	<u>-</u>	<u>-</u>	<u>5,628,517</u>
<b>CHANGES IN NET ASSETS</b>	7,795,698	(95,829)	9,598	7,709,467
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>19,710,791</u>	<u>4,083,848</u>	<u>1,371,042</u>	<u>25,165,681</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 27,506,489</u>	<u>\$ 3,988,019</u>	<u>\$ 1,380,640</u>	<u>\$ 32,875,148</u>

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

Dallas CASA  
 COMBINED STATEMENT OF FUNCTIONAL EXPENSES  
 Year Ended December 31, 2016

	Program Services	General and Administrative	Fundraising Expense	Total
Salaries	\$ 3,074,533	\$ 288,254	\$ 266,269	\$ 3,629,056
Payroll taxes	218,863	20,520	18,954	258,337
Employee benefits	571,278	53,561	49,475	674,314
Total personnel costs	3,864,674	362,335	334,698	4,561,707
Occupancy	94,184	10,465	11,628	116,277
Office	63,818	7,091	7,880	78,789
Travel	156,624	654	905	158,183
Training	22,979	2,154	1,990	27,123
Telephone	46,052	4,097	2,029	52,178
Insurance	60,206	6,690	7,433	74,329
Professional services	55,350	5,189	4,793	65,332
Equipment	63,801	5,982	5,526	75,309
Childrens' sustenance	55,462	-	-	55,462
Volunteer training and conferences	24,000	2,250	2,079	28,329
Recruitment	217,508	-	-	217,508
Development	-	-	50,685	50,685
Event costs	21,061	-	63,182	84,243
Other	24,407	2,288	2,114	28,809
Total expenses before depreciation	4,770,126	409,195	494,942	5,674,263
Depreciation	263,738	29,304	32,560	325,602
Total expenses	<u>\$ 5,033,864</u>	<u>\$ 438,499</u>	<u>\$ 527,502</u>	<u>\$ 5,999,865</u>

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 STATEMENTS OF CASH FLOWS  
 Years Ended December 31,

	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 3,599,800	\$ 7,709,467
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	325,602	329,017
Net realized and unrealized (gains) losses on investments	(128,431)	29,576
Change in value of beneficial interest in agency endowment	(7,893)	(12)
Change in operating assets and liabilities, net:		
Grants receivable	69,719	(47,694)
Pledges receivable	1,127,965	129,666
Other receivables	(42,103)	(39,015)
Prepaid expenses	(64,409)	(25,799)
Accounts payable	(36,205)	23,834
Accrued liabilities	30,010	(430)
Deferred revenue	(240)	(12,500)
Net cash provided by operating activities	4,873,815	8,096,110
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investments	(6,122,708)	(4,949,895)
Redemption of corporate bond	220,591	127,124
Sales of investments for endowment distributions	87,437	91,115
Transfer resulting in beneficial interest in agency endowment	(15,000)	(125,000)
Purchases of property and equipment	(7,722)	(21,635)
Net cash used in investing activities	(5,837,402)	(4,878,291)
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(963,587)	3,217,819
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	5,628,304	2,410,485
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	\$ 4,664,717	\$ 5,628,304
<b>Supplemental disclosure of cash flow information:</b>		
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 affiliate, Dallas CASA Endowment Fund (“DCEF”). 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 53,700 and 50,900 hours were donated during 2016 and 2015, 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 \$147,905 and \$125,012 as of December 31, 2016 and 2015, respectively. 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, 2016 and 2015, 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 2013.

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.

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, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
1991 Endowment Fund	\$ -	\$ 422,467	\$ 875,512	\$ 1,297,979
2003 Triage Lifeline Fund	-	147,350	534,122	681,472
Anonymous Fund	-	32,213	-	32,213
Total DCEF endowment net assets	<u>-</u>	<u>602,030</u>	<u>1,409,634</u>	<u>2,011,664</u>
2015 Agency Endowment Fund	<u>-</u>	<u>147,905</u>	<u>-</u>	<u>147,905</u>
Endowment net assets	<u>\$ -</u>	<u>\$ 749,935</u>	<u>\$ 1,409,634</u>	<u>\$ 2,159,569</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	\$ -	\$ 683,940	\$ 1,380,640	\$ 2,064,580
Investment return:				
Investment income	-	41,416	-	41,416
Net appreciation (realized and unrealized)	-	118,117	-	118,117
Change in beneficial interest in agency endowment	-	7,893	-	7,893
Total investment return	<u>-</u>	<u>167,426</u>	<u>-</u>	<u>167,426</u>
Contributions	-	15,000	-	15,000
Annual adjustment to corpus for inflation	-	(28,994)	28,994	-
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(87,437)</u>	<u>-</u>	<u>(87,437)</u>
Endowment net assets at end of year	<u>\$ -</u>	<u>\$ 749,935</u>	<u>\$ 1,409,634</u>	<u>\$ 2,159,569</u>

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	<u>-</u>	<u>31,224</u>	<u>-</u>	<u>31,224</u>
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	-	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>

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, 2016 and 2015.

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.

Dallas CASA  
NOTES TO COMBINED FINANCIAL STATEMENTS

2. ENDOWMENTS (Continued)

Strategies Employed for Achieving Objectives (Continued)

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.

3. PLEDGES RECEIVABLE

Pledges receivables consist of the following at December 31:

	2016	2015
Pledges receivables	\$ 2,218,114	\$ 3,346,079
Less: allowance for uncollectible pledges	(42,000)	(42,000)
	\$ 2,176,114	\$ 3,304,079

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	\$ 1,040,995
One to five years	1,177,119
Greater than five years	-
	\$ 2,218,114

Dallas CASA  
NOTES TO COMBINED FINANCIAL STATEMENTS

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 years ended December 31, 2016 and 2015, there were no significant transfers among levels 1, 2, and 3.

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, 2016 and 2015.

*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.

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.

Dallas CASA  
NOTES TO COMBINED FINANCIAL STATEMENTS

4. INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

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, 2016:

	<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	\$ 17,588,836	\$ 17,588,836	\$ -	\$ 17,588,836	\$ -
Mutual funds:					
Balance index					
fund (endowment)	2,011,664	2,011,664	2,011,664	-	-
Beneficial interest in					
agency endowment	<u>147,905</u>	<u>147,905</u>	<u>-</u>	<u>-</u>	<u>147,905</u>
	<u>\$ 19,748,405</u>	<u>\$ 19,748,405</u>	<u>\$ 2,011,664</u>	<u>\$ 17,588,836</u>	<u>\$ 147,905</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, 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 changes in Level 3 assets measured at fair value on a recurring basis are summarized as follows:

Balance at December 31, 2015	\$ -
Transfer to beneficial interest in agency endowment	125,000
Total net gain	<u>12</u>
Balance at December 31, 2015	125,012
Transfer to beneficial interest in agency endowment	15,000
Total net gain	<u>7,893</u>
Balance at December 31, 2016	<u>\$ 147,905</u>

Dallas CASA  
NOTES TO COMBINED FINANCIAL STATEMENTS

5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	2016	2015
Furniture and equipment	\$ 748,011	\$ 744,432
Computers and software	121,079	121,079
Land and building	9,351,981	9,347,838
	10,221,071	10,213,349
Less accumulated depreciation and amortization	(934,534)	(608,932)
	\$ 9,286,537	\$ 9,604,417

Depreciation expense was \$325,602 and \$329,017 for the years ended December 31, 2016 and 2015, respectively.

6. DEFERRED REVENUES

Deferred revenues of \$22,260 and \$22,500 as of December 31, 2016 and 2015, respectively, consist of donations for events to be held in 2017 and 2016, respectively.

7. NET ASSETS

Net assets consist of the following at December 31:

	2016	2015
Unrestricted:		
Board designated operating reserve	\$ 3,158,984	\$ 2,935,794
Board designated strategic growth reserve	11,400,000	11,400,000
Property and equipment	9,286,537	9,604,417
Other	8,293,744	3,566,278
	32,139,265	27,506,489
Temporarily restricted:		
Specific future periods	2,176,114	3,304,079
Specific program and support activities - endowment	749,935	683,940
	2,926,049	3,988,019
Permanently restricted:		
Endowment	1,409,634	1,380,640
	\$ 36,474,948	\$ 32,875,148

8. 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:

	2016	2015
Fulfillment of use restrictions	\$ 87,437	\$ 91,115
Release of time restrictions	1,127,965	139,264
	\$ 1,215,402	\$ 230,379

Dallas CASA  
NOTES TO COMBINED FINANCIAL STATEMENTS

9. 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 2016 and 2015 were \$92,557 and \$81,970, respectively.

10. 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:

	2016	2015
Special event gift items	\$ 47,543	\$ 46,390
Other	27,294	62,170
	\$ 74,837	\$ 108,560

11. 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:

	2016	2015
Grants:		
Texas CASA - federal	\$ 421,703	\$ 309,584
State of Texas	42,000	42,000
Texas CASA – state of Texas	978,851	796,972
County of Dallas	1,249,992	1,249,972
	\$ 2,692,546	\$ 2,398,528
Contributions:		
Foundations	\$ 3,151,363	\$ 6,722,705
Corporations	53,877	29,522
Organizations	326,173	149,290
Individuals	339,801	1,097,683
Board of directors and other related parties	301,341	221,340
Other	77,543	35,535
	\$ 4,250,098	\$ 8,256,075

Contributions from two donors in 2016 and 2015 comprise 30% and 35% of contribution revenue for the years ended December 31, 2016 and 2015, respectively. At December 31, 2016 and 2015 two donors comprise approximately 24% and 26% of net pledge receivables, respectively.

12. RELATED PARTY DONATIONS

Pledge receivables from current and former board members, employees and other related parties were approximately \$1,511,000 and \$2,185,000 at December 31, 2016 and 2015, respectively. In addition, for the years ended December 31, 2016 and 2015 contributions from current and former board members, employees and other related parties were approximately \$881,000 and \$605,000, which includes \$663,000 and \$384,000, respectively, in revenues from special events.

Dallas CASA  
NOTES TO COMBINED FINANCIAL STATEMENTS

13. SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 9, 2017, 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.