

Dallas CASA

Independent Auditor's Report and Consolidated Financial Statements

December 31, 2019 and 2018

Dallas CASA
December 31, 2019 and 2018

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Independent Auditor's Report

Board of Directors
Dallas CASA
Dallas, Texas

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Dallas CASA, which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Dallas CASA as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in *Note 1* to the financial statements, in 2019, Dallas CASA adopted Accounting Standards Update 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope of the Accounting Guidance for Contributions Received and Contributions Made* and Accounting Standards Update 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Our opinion is not modified with respect to these matters.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 13, 2020, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Dallas CASA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Dallas CASA's internal control over financial reporting and compliance.

BKD, LLP

Dallas, Texas
May 13, 2020

Dallas CASA
Consolidated Statements of Financial Position
December 31, 2019 and 2018

| | 2019 | 2018 |
|--|---------------|---------------|
| Assets | | |
| Cash and cash equivalents | \$ 4,882,178 | \$ 6,390,950 |
| Grants receivable | 909,115 | 800,555 |
| Pledges receivable, net | 286,699 | 572,315 |
| Other receivables | 176,977 | 168,720 |
| Prepaid expenses | 125,502 | 129,266 |
| Investments | 18,446,415 | 17,411,084 |
| Investments - endowment | 13,810,551 | 10,534,427 |
| Beneficial interest in agency endowment | 201,351 | 157,659 |
| Property and equipment, net | 8,590,803 | 8,744,136 |
| Total assets | \$ 47,429,591 | \$ 44,909,112 |
| Liabilities and Net Assets | | |
| Liabilities | | |
| Accounts payable | \$ 80,527 | \$ 69,087 |
| Accrued liabilities | 151,171 | 139,582 |
| Deferred revenue | 41,925 | 83,675 |
| Total liabilities | 273,623 | 292,344 |
| Net Assets | | |
| Without donor restrictions | | |
| Undesignated | 6,300,893 | 5,416,940 |
| Designated by the Board for operating reserve | 4,430,271 | 4,059,621 |
| Designated by the Board for strategic growth reserve | 13,500,000 | 14,600,000 |
| Designated by the Board for quasi-endowment | 9,123,076 | 7,000,000 |
| Invested in property and equipment, net | 8,590,803 | 8,744,136 |
| | 41,945,043 | 39,820,697 |
| With donor restrictions | | |
| Perpetual in nature | 3,500,313 | 3,466,581 |
| Purpose restrictions | 1,423,913 | 757,175 |
| Time-restricted for future periods | 286,699 | 572,315 |
| | 5,210,925 | 4,796,071 |
| Total net assets | 47,155,968 | 44,616,768 |
| Total liabilities and net assets | \$ 47,429,591 | \$ 44,909,112 |

Dallas CASA
Consolidated Statement of Activities
Year Ended December 31, 2019

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---------------------------------------|------------------------------------|----------------------|
| Revenues, Gains and Other Support | | | |
| Contributions | \$ 1,501,032 | \$ 50,000 | \$ 1,551,032 |
| In-kind contributions | 165,200 | - | 165,200 |
| Special events, net of direct event costs of \$791,432 | 2,503,556 | - | 2,503,556 |
| Government grants | 3,920,536 | - | 3,920,536 |
| Investment income | 694,745 | 118,558 | 813,303 |
| Net realized and unrealized gains on investments | 1,289,741 | 775,336 | 2,065,077 |
| Miscellaneous income | 10,785 | - | 10,785 |
| Net assets released from restrictions | 529,040 | (529,040) | - |
| Total revenues, gains and other support | <u>10,614,635</u> | <u>414,854</u> | <u>11,029,489</u> |
| Expenses and Losses | | | |
| Child advocacy | <u>7,169,819</u> | <u>-</u> | <u>7,169,819</u> |
| Total program services | <u>7,169,819</u> | <u>-</u> | <u>7,169,819</u> |
| Management and general | 715,417 | - | 715,417 |
| Fundraising | <u>605,053</u> | <u>-</u> | <u>605,053</u> |
| Total support services | <u>1,320,470</u> | <u>-</u> | <u>1,320,470</u> |
| Total expenses and losses | <u>8,490,289</u> | <u>-</u> | <u>8,490,289</u> |
| Change in Net Assets | 2,124,346 | 414,854 | 2,539,200 |
| Net Assets, Beginning of Year | <u>39,820,697</u> | <u>4,796,071</u> | <u>44,616,768</u> |
| Net Assets, End of Year | <u>\$ 41,945,043</u> | <u>\$ 5,210,925</u> | <u>\$ 47,155,968</u> |

Dallas CASA
Consolidated Statement of Activities
Year Ended December 31, 2018

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|---------------------------------------|------------------------------------|----------------------|
| Revenues, Gains and Other Support | | | |
| Contributions | \$ 3,020,589 | \$ 153,000 | \$ 3,173,589 |
| In-kind contributions | 76,406 | - | 76,406 |
| Special events, net of direct event costs of \$751,635 | 2,424,423 | - | 2,424,423 |
| Government grants | 3,701,937 | - | 3,701,937 |
| Investment income | 504,440 | 160,709 | 665,149 |
| Net realized and unrealized gains (losses) on investments | (652,337) | (303,390) | (955,727) |
| Miscellaneous income | 11,213 | - | 11,213 |
| Net assets released from restrictions | 1,253,182 | (1,253,182) | - |
| Total revenues, gains and other support | <u>10,339,853</u> | <u>(1,242,863)</u> | <u>9,096,990</u> |
| Expenses and Losses | | | |
| Child advocacy | <u>6,416,049</u> | <u>-</u> | <u>6,416,049</u> |
| Total program services | <u>6,416,049</u> | <u>-</u> | <u>6,416,049</u> |
| Management and general | 637,380 | - | 637,380 |
| Fundraising | <u>556,699</u> | <u>-</u> | <u>556,699</u> |
| Total support services | <u>1,194,079</u> | <u>-</u> | <u>1,194,079</u> |
| Total expenses and losses | <u>7,610,128</u> | <u>-</u> | <u>7,610,128</u> |
| Change in Net Assets | 2,729,725 | (1,242,863) | 1,486,862 |
| Net Assets, Beginning of Year | <u>37,090,972</u> | <u>6,038,934</u> | <u>43,129,906</u> |
| Net Assets, End of Year | <u>\$ 39,820,697</u> | <u>\$ 4,796,071</u> | <u>\$ 44,616,768</u> |

Dallas CASA
Consolidated Statement of Functional Expenses
Year Ended December 31, 2019

| | Program Services | | Support Services | | Total |
|---|---------------------|------------------------|-------------------|------------------------|---------------------|
| | Advocacy | Management and General | Fundraising | Total Support Services | |
| Salaries | \$ 4,482,711 | \$ 501,032 | \$ 314,473 | \$ 815,505 | \$ 5,298,216 |
| Payroll taxes | 321,450 | 35,928 | 22,550 | 58,478 | 379,928 |
| Employee benefits | 848,054 | 94,787 | 59,493 | 154,280 | 1,002,334 |
| Occupancy | 97,522 | 7,328 | 7,893 | 15,221 | 112,743 |
| Office | 61,943 | 4,655 | 5,011 | 9,666 | 71,609 |
| Travel | 238,770 | 2,795 | 2,552 | 5,347 | 244,117 |
| Training | 66,625 | 7,447 | 4,674 | 12,121 | 78,746 |
| Telephone | 52,411 | 2,785 | 2,139 | 4,924 | 57,335 |
| Insurance | 76,285 | 5,732 | 6,173 | 11,905 | 88,190 |
| Professional services | 66,835 | 7,470 | 4,689 | 12,159 | 78,994 |
| Equipment | 109,666 | 12,257 | 7,692 | 19,949 | 129,615 |
| Children's sustenance | 81,461 | - | - | - | 81,461 |
| Volunteer training and conferences | 82,276 | 9,196 | 5,772 | 14,968 | 97,244 |
| Recruitment | 257,451 | - | - | - | 257,451 |
| Development | - | - | 40,380 | 40,380 | 40,380 |
| Event costs | 24,378 | - | 888,944 | 888,944 | 913,322 |
| Other | 35,833 | 4,005 | 2,512 | 6,517 | 42,350 |
| Depreciation | 266,148 | 20,000 | 21,538 | 41,538 | 307,686 |
| Total expenses by function | 7,169,819 | 715,417 | 1,396,485 | 2,111,902 | 9,281,721 |
| Less expenses included with revenues on the statements of activities | | | | | |
| Cost of direct benefits to donors | - | - | 791,432 | 791,432 | 791,432 |
| Total expenses included in the expense section on the consolidated statement of activities | \$ 7,169,819 | \$ 715,417 | \$ 605,053 | \$ 1,320,470 | \$ 8,490,289 |

Dallas CASA
Consolidated Statement of Functional Expenses
Year Ended December 31, 2018

| | Program Services | | Support Services | | | Total |
|--|---------------------|------------------------|-------------------|------------------------|---------------------|-------|
| | Child Advocacy | Management and General | | Total Support Services | | |
| | | | | Fundraising | | |
| Grants and other assistance | | | | | | |
| Salaries | \$ 3,984,397 | \$ 444,465 | \$ 296,394 | \$ 740,859 | \$ 4,725,256 | |
| Payroll taxes | 284,425 | 31,728 | 21,158 | 52,886 | 337,311 | |
| Employee benefits | 783,888 | 87,444 | 58,312 | 145,756 | 929,644 | |
| Occupancy | 111,223 | 8,358 | 9,001 | 17,359 | 128,582 | |
| Office | 61,874 | 4,650 | 5,007 | 9,657 | 71,531 | |
| Travel | 198,732 | 3,620 | 2,471 | 6,091 | 204,823 | |
| Training | 22,498 | 2,510 | 1,674 | 4,184 | 26,682 | |
| Telephone | 51,925 | 3,042 | 2,468 | 5,510 | 57,435 | |
| Insurance | 70,307 | 5,283 | 5,690 | 10,973 | 81,280 | |
| Professional services | 68,458 | 7,637 | 5,093 | 12,730 | 81,188 | |
| Equipment | 94,628 | 10,556 | 7,039 | 17,595 | 112,223 | |
| Children's sustenance | 95,756 | - | - | - | 95,756 | |
| Volunteer training and conferences | 41,057 | 4,580 | 3,054 | 7,634 | 48,691 | |
| Recruitment | 235,530 | - | - | - | 235,530 | |
| Development | - | - | 51,957 | 51,957 | 51,957 | |
| Event costs | 15,927 | - | 815,343 | 815,343 | 831,270 | |
| Other | 35,903 | 4,005 | 2,671 | 6,676 | 42,579 | |
| Depreciation | 259,521 | 19,502 | 21,002 | 40,504 | 300,025 | |
| Total expenses by function | 6,416,049 | 637,380 | 1,308,334 | 1,945,714 | 8,361,763 | |
| Less expenses included with revenues on the statements of activities | | | | | | |
| Cost of direct benefits to donors | - | - | 751,635 | 751,635 | 751,635 | |
| Total expenses included in the expense section on the consolidated statement of activities | <u>\$ 6,416,049</u> | <u>\$ 637,380</u> | <u>\$ 556,699</u> | <u>\$ 1,194,079</u> | <u>\$ 7,610,128</u> | |

Dallas CASA
Consolidated Statements of Cash Flows
Years Ended December 31,

| | 2019 | 2018 |
|--|---------------------|---------------------|
| Operating Activities | | |
| Change in net assets | \$ 2,539,200 | \$ 1,486,862 |
| Items not requiring (providing) cash | | |
| Depreciation | 307,686 | 300,025 |
| Net realized and unrealized gains on investments | (2,039,663) | 944,209 |
| Change in value of beneficial interest in agency endowment | (43,692) | 8,729 |
| Investment income and contribution restricted for long-term investment | (33,732) | (27,346) |
| Changes in | | |
| Grants receivable | (108,560) | (137,068) |
| Pledges receivable, net | 285,616 | 1,106,804 |
| Other receivables | (8,257) | 17,125 |
| Prepaid expenses | 3,764 | (26,807) |
| Accounts payable | 11,440 | (8,696) |
| Accrued liabilities | 11,589 | 23,054 |
| Deferred revenue | (41,750) | (22,850) |
| | <u>883,641</u> | <u>3,664,041</u> |
| Investing Activities | | |
| Purchase of property and equipment | (154,353) | (41,784) |
| Proceeds from disposition of investments | 4,276,111 | 1,941,736 |
| Purchases of investments | (6,547,903) | (4,239,281) |
| | <u>(2,426,145)</u> | <u>(2,339,329)</u> |
| Financing Activities | | |
| Proceeds from investment income restricted for long-term investment | 33,732 | 27,346 |
| | <u>33,732</u> | <u>27,346</u> |
| Increase (Decrease) in Cash and Cash Equivalents | (1,508,772) | 1,352,058 |
| Cash and Cash Equivalents, Beginning of Year | <u>6,390,950</u> | <u>5,038,892</u> |
| Cash and Cash Equivalents, End of Year | <u>\$ 4,882,178</u> | <u>\$ 6,390,950</u> |

Dallas CASA
Notes to Consolidated Financial Statements
December 31, 2019 and 2018

Note 1: Nature of Operations and Summary of Significant Accounting Policies

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 advocacy services for child victims of abuse or neglect who are in the legal custody of the state under the supervision of juvenile and family courts. It may accept only those cases assigned by the courts. Its primary goal is to make recommendations to the court for a permanent and nurturing home where each child can grow up and thrive when reunification is not a safe option.

Dallas CASA solicits and receives its funding from a variety of sources including contributions from individuals, corporations, foundations and associations, government grants and contracts, and proceeds from sponsored events (such as the annual golf tournament).

Principles of Consolidation

The consolidated financial statements include the accounts of Dallas CASA and its affiliate, Dallas CASA Endowment Fund (DCEF). DCEF manages endowment funds established and funded by donors, as well as quasi-endowment funds, 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 consolidation.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

Dallas CASA considers all liquid investments with original maturities of three months or less to be cash equivalents. Dallas CASA considers uninvested cash held in investment accounts as cash and cash equivalents for financial statement purposes. At December 31, 2019 and 2018, cash equivalents consisted primarily of money market accounts with brokers.

Accounts Receivable

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 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.

Dallas CASA

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

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.

Investments and Net Investment Return

Investments are carried at fair value.

Investment income includes dividend, interest and other investment income; and realized and unrealized gains and losses on investments carried at fair value; less external and direct internal investment expenses.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restrictions. Other investment return is reflected in the consolidated statements of activities with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

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 \$201,351 and \$157,659 as of December 31, 2019 and 2018, respectively. Changes in the value of the underlying assets are recorded in the consolidated statements of activities as a component of net realized and unrealized gains (losses) on investments and investment income.

Property and Equipment

Property and equipment acquisitions greater than \$5,000 are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization is charged to expense on the straight-line basis over the estimated useful life of each asset. The estimated useful lives for each major depreciable classification of property and equipment are 5 years for furniture and equipment, 3 years for computer and software, and 39 years for building.

Long-Lived Asset Impairment

Dallas CASA evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset are less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

Dallas CASA
Notes to Consolidated Financial Statements
December 31, 2019 and 2018

No asset impairment was recognized during the years ended December 31, 2019 and 2018.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor restrictions.

Net assets without donor restrictions are available for use in general operations and not subject to donor or certain grantor restrictions. The governing board has designated, from net assets without donor or certain grantor restrictions, net assets for an operating reserve, a strategic growth reserve and board-designated quasi-endowment.

Net assets with donor restrictions are subject to donor or certain grantor restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other restrictions are perpetual in nature, where the donor or grantor stipulates that resources be maintained in perpetuity.

Contributions

Contributions are provided to Dallas CASA either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

| Nature of the Gift | Value Recognized |
|---|---|
| <i>Conditional gifts, with or without restriction</i> | |
| Gifts that depend on Dallas CASA overcoming a donor-imposed barrier to be entitled to the funds | <ul style="list-style-type: none"> • Not recognized until the gift becomes unconditional, <i>i.e.</i> the donor-imposed barrier is met |
| <i>Unconditional gifts, with or without restriction</i> | |
| Received at date of gift – cash and other assets | <ul style="list-style-type: none"> • Fair value |
| Received at date of gift – property, equipment and long-lived assets | <ul style="list-style-type: none"> • Estimated fair value |
| Expected to be collected within one year | <ul style="list-style-type: none"> • Net realizable value |
| Collected in future years | <ul style="list-style-type: none"> • Initially reported at fair value determined using the discounted present value of estimated future cash flows technique |

Dallas CASA
Notes to Consolidated Financial Statements
December 31, 2019 and 2018

When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Gifts having donor stipulations which are satisfied in the period the gift is received are reported as revenue and net assets without donor restrictions.

Conditional gifts depend on Dallas CASA overcoming a donor-imposed barrier to be entitled to the funds and are recognized as assets and revenue when the gift becomes unconditional, i.e., the donor-imposed barrier is met.

Conditional contributions having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

Government Grants

Support funded by grants is recognized as Dallas CASA meets the conditions prescribed by the grant agreement, performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required. No adjustments have been required during 2019 or 2018.

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 statements 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 74,000 hours were donated during each of the years ended December 31, 2019 and 2018. However, no amounts have been reflected in the consolidated 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.

Income Taxes

Dallas CASA is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, Dallas CASA may be subject to federal income tax on any unrelated business taxable income.

Dallas CASA files tax returns in the U.S. federal jurisdiction.

Dallas CASA

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses presents the natural classification detail of expenses by function. Certain costs have been allocated among the program, management and general and fundraising categories based on the specific identification of costs or approximate percentage of time and other methods.

Change in Accounting Principle

On January 1, 2019, Dallas CASA adopted the Financial Accounting Standards Board Accounting Standards Update 2014-09, *Revenue from Contracts with Customers (Topic 606)*, (ASU 2014-09) using a modified retrospective method of adoption to all contracts with customers at January 1, 2019.

The core guidance in ASU 2014-09 is to recognize revenue to depict the transfer of promised goods or services to customers in amounts that reflect the consideration to which Dallas CASA expects to be entitled in exchange for those goods or services.

The amount to which Dallas CASA expects to be entitled is calculated as the transaction price and recorded as revenue in exchange for providing goods or services.

Adoption of ASU 2014-09 resulted in no changes in presentation of financial statements but added new disclosures in the notes to the financial statements. There were no changes to what would have been recorded in revenue during 2018.

On January 1, 2019, Dallas CASA adopted the Financial Accounting Standards Board Accounting Standards Update 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, (ASU 2018-08) using a modified prospective basis at January 1, 2019. The amendments of the standard were applied to the portion of agreements that were not completed as of January 1, 2019 or entered into after January 1, 2019.

ASU 2018-08 clarifies the guidance on determining whether a transaction with a resource provider is a contribution or an exchange transaction. Upon adoption of the standard, Dallas CASA determined that the nonexchange portion of special events revenue is conditional upon the event occurring and includes a right of return or release, and therefore should not be recorded until this barrier is overcome. Dallas CASA determined grant support received through periodic claims filed with the respective funding sources is conditional upon incurring qualifying expenses and includes a right of return or release, and therefore should not be recorded until this barrier is overcome. The standard amends the simultaneous release accounting policy to allow a not-for-profit to elect a separate policy for donor-restricted contributions that were initially conditional contributions without also having to elect the policy for other donor-restricted contributions. This election is disclosed in the *Note 1* "Contributions" section.

Reclassifications

Certain reclassifications have been made to the 2018 financial statements to conform to the 2019 financial statement presentation. These reclassifications had no effect on the change in net assets.

Dallas CASA
Notes to Consolidated Financial Statements
December 31, 2019 and 2018

Note 2: Grant Reimbursements Receivable and Future Commitments

Dallas CASA receives its government grant support through periodic claims filed with the respective funding sources, not to exceed a limit specified in the funding agreement. Since the consolidated financial statements of Dallas CASA are prepared on the accrual basis, all unconditional portions of the grants not yet received as of December 31, 2019 and 2018, have been recorded as receivables. Following are the grant commitments that extend beyond December 31, 2019 and 2018:

| Grant | Term | Grant Amount | Earned Through 2019 | Funding Available |
|-----------------------------|--------------------------------------|---------------------|---------------------|---------------------|
| Crime Victim Assistance | October 1, 2019 - September 30, 2020 | \$ 1,813,361 | \$ 448,853 | \$ 1,364,508 |
| Crime Victim's Compensation | September 1, 2019 - August 31, 2020 | <u>851,840</u> | <u>355,882</u> | <u>495,958</u> |
| | | <u>\$ 2,665,201</u> | <u>\$ 804,735</u> | <u>\$ 1,860,466</u> |

| Grant | Term | Grant Amount | Earned Through 2018 | Funding Available |
|-----------------------------|--------------------------------------|---------------------|---------------------|---------------------|
| Crime Victim Assistance | October 1, 2018 - September 30, 2019 | \$ 1,552,316 | \$ 503,362 | \$ 1,048,954 |
| Crime Victim's Compensation | September 1, 2018 - August 31, 2019 | <u>898,756</u> | <u>313,070</u> | <u>585,686</u> |
| | | <u>\$ 2,451,072</u> | <u>\$ 816,432</u> | <u>\$ 1,634,640</u> |

Dallas CASA expects to receive all available funding of \$1,860,466 for grant terms ending in 2020 and Dallas CASA received all available funding of \$1,634,640 for grant terms that ended in 2019.

Note 3: Endowment

The governing bodies of DCEF and Dallas CASA are subject to the *State of Texas Prudent Management of Institutional Funds Act* (UPMIFA). As a result, DCEF and Dallas CASA classify amounts in donor-restricted endowment funds as net assets with donor restrictions because those net assets are required to be held in perpetuity or are time restricted until the governing body appropriates such amounts for expenditures. Some net assets also are subject to purpose restrictions that must be met before being reclassified as net assets without donor restrictions.

Additionally, in accordance with UPMIFA, Dallas CASA Endowment Fund considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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1. Duration and preservation of the fund
2. Purposes of Dallas CASA and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the Organization
7. Investment policies of the Organization

Endowment net assets consist of five individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the Dallas CASA governing body to function as endowments (board-designated endowment funds). As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The composition of net assets by type of endowment fund at December 31, 2019 and 2018, was:

| | 2019 | | |
|--|---|--|----------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Board-designated endowment funds | \$ 9,123,076 | \$ - | \$ 9,123,076 |
| Donor-restricted endowment funds | | | |
| Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor | - | 3,500,313 | 3,500,313 |
| Accumulated investment gains | - | 1,388,513 | 1,388,513 |
| Total endowment funds | <u>\$ 9,123,076</u> | <u>\$ 4,888,826</u> | <u>\$ 14,011,902</u> |

| | 2018 | | |
|--|---|--|----------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Board-designated endowment funds | \$ 7,000,000 | \$ - | \$ 7,000,000 |
| Donor-restricted endowment funds | | | |
| Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor | - | 3,466,581 | 3,466,581 |
| Accumulated investment gains | - | 696,964 | 696,964 |
| Underwater endowment fund | - | (93,189) | (93,189) |
| Total endowment funds | <u>\$ 7,000,000</u> | <u>\$ 4,070,356</u> | <u>\$ 11,070,356</u> |

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Changes in endowment net assets for the years ended December 31, 2019 and 2018, were:

| | 2019 | | |
|--|---|--|----------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Endowment net assets, beginning of year | \$ 7,000,000 | \$ 4,070,356 | \$ 11,070,356 |
| Investment return, net | 1,123,076 | 893,894 | 2,016,970 |
| Contributions | - | 15,000 | 15,000 |
| Appropriation of endowment assets for expenditures | - | (90,424) | (90,424) |
| Other changes | | | |
| Transfer to increase board-designated endowment | 1,000,000 | - | 1,000,000 |
| Endowment net assets, end of year | <u>\$ 9,123,076</u> | <u>\$ 4,888,826</u> | <u>\$ 14,011,902</u> |

| | 2018 | | |
|--|---|--|----------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Endowment net assets, beginning of year | \$ 3,000,000 | \$ 4,359,416 | \$ 7,359,416 |
| Investment return (loss), net | - | (142,681) | (142,681) |
| Appropriation of endowment assets for expenditures | - | (146,379) | (146,379) |
| Other changes | | | |
| Transfer to increase board-designated endowment | 4,000,000 | - | 4,000,000 |
| Endowment net assets, end of year | <u>\$ 7,000,000</u> | <u>\$ 4,070,356</u> | <u>\$ 11,070,356</u> |

Investment and Spending Policies

DCEF and Dallas CASA have adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include those assets of donor-restricted endowment funds that must be held in perpetuity or for donor-specified periods, as well as those of board-designated endowment funds. Under DCEF and Dallas CASA's policies, endowment assets are invested in a manner that is intended to both preserve the corpus and to grow the net asset value of the portfolio while assuming a moderate level of investment risk.

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

Absent a different donor instruction, DCEF has a spending policy of appropriating for expenditure each year 4.5 percent of endowment fund's average net assets at the year-end preceding the year in which expenditure is planned for endowments with donor restrictions and 3.5 percent of the endowment fund's average year-end balance of the last three years for the board-designated endowment. In establishing this policy, DCEF and Dallas CASA considered the long-term expected return on its endowment.

Investment return (loss), net, related to the board designated endowment funds are available for the operations of Dallas CASA upon appropriation and are included as a component of net assets designated by the Board for quasi-endowment in the accompanying consolidated statements of financial position.

Underwater Endowment

The governing bodies of DCEF and Dallas CASA have interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the DCEF and Dallas CASA consider a fund to be underwater if the fair value of the fund is less than the sum of

- a) the original value of initial and subsequent gift amounts donated to the fund and
- b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument.

Dallas CASA has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law.

At December 31, 2019, none of the endowment funds were underwater.

At December 31, 2018, a fund with original gift values of \$2,000,000; fair values of \$1,906,811; and deficiencies of \$93,189 was reported in net assets with donor restrictions. This deficiency resulted from unfavorable market fluctuations.

In January 2018, DCEF appropriated for expenditure the amount of \$47,518 from the endowment fund with original gift value of \$2,000,000, at which time the endowment fund was not underwater.

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Note 4: Property and Equipment

Property and equipment at December 31, 2019 and 2018, consists of:

| | 2019 | 2018 |
|--|--------------|--------------|
| Furniture and equipment | \$ 896,134 | \$ 796,710 |
| Computer and software | 193,529 | 139,857 |
| Land | 1,697,711 | 1,697,711 |
| Building | 7,655,535 | 7,654,277 |
| | 10,442,909 | 10,288,555 |
| Less accumulated depreciation and amortization | (1,852,106) | (1,544,419) |
| | \$ 8,590,803 | \$ 8,744,136 |

Note 5: 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 matched employee contributions up to three percent of each eligible employee's salary. Employer matching contributions in 2019 and 2018 were \$135,882 and \$117,948, respectively.

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Note 6: Net Assets With Donor Restrictions

Net Assets With Donor Restrictions

Net assets with donor restrictions at December 31, 2019 and 2018, are restricted for the following purposes or periods:

| | 2019 | 2018 |
|---|--------------|--------------|
| Subject to expenditure for specified purpose | | |
| Summer camps | \$ 30,000 | \$ 53,400 |
| Fingerprinting | 5,400 | 100,000 |
| | 35,400 | 153,400 |
| Subject to the passage of time | | |
| Promises to give that are not restricted by donors but which are unavailable for expenditure until due | 286,699 | 572,315 |
| | 286,699 | 572,315 |
| Endowments with donor restrictions | | |
| Subject to appropriation and expenditure when a specified event occurs | | |
| Restricted by donors for | | |
| Available for general use | 590,012 | 190,055 |
| Child advocacy program | 798,501 | 413,720 |
| | 1,388,513 | 603,775 |
| Subject to Dallas CASA endowment spending policy and appropriation | | |
| Available for general use | 2,000,000 | 2,000,000 |
| Child advocacy program | 1,500,313 | 1,466,581 |
| | 3,500,313 | 3,466,581 |
| Total endowments with donor restrictions | 4,888,826 | 4,070,356 |
| | \$ 5,210,925 | \$ 4,796,071 |

Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors during the years ended December 31, 2019 and 2018.

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| | 2019 | 2018 |
|---|-------------|--------------|
| Expiration of time restrictions | \$ 285,616 | \$ 1,106,803 |
| Satisfaction or purpose restrictions | | |
| Child advocacy | 153,000 | - |
| | 438,616 | 1,106,803 |
| | | |
| Restricted purpose spending-rate distributions and appropriations | | |
| Child advocacy | 90,424 | 146,379 |
| | \$ 529,040 | \$ 1,253,182 |

Note 7: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2019 and 2018, comprise the following:

Dallas CASA
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| | 2019 | 2018 |
|--|--------------|--------------|
| Financial assets at year-end | | |
| Cash and cash equivalents | \$ 4,882,178 | \$ 6,390,950 |
| Grants receivable | 909,115 | 800,555 |
| Pledges receivable, net | 286,699 | 572,315 |
| Other receivables | 176,977 | 168,720 |
| Investments | 18,446,415 | 17,411,084 |
| Investments - endowment | 13,810,551 | 10,534,427 |
| Beneficial interest in agency endowment | 201,351 | 157,659 |
| Total financial assets at year-end | 38,713,286 | 36,035,710 |
| Donor imposed restrictions | | |
| Restricted funds | 215,400 | 341,650 |
| Endowments | 4,888,826 | 4,163,545 |
| Net financial assets after donor imposed restrictions | 33,609,060 | 31,530,515 |
| Internal designations | | |
| Board designated funds | 17,930,271 | 18,659,621 |
| Quasi-endowments | 9,123,076 | 7,000,000 |
| Financial assets available (after internal designations) to meet cash needs for general expenditures within one year | \$ 6,555,713 | \$ 5,870,894 |

Dallas CASA receives contributions restricted by donors and considers contributions restricted for programs which are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures.

Dallas CASA's endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

The board-designated endowment of \$9,123,076 at December 31, 2019 and \$7,000,000 (carrying value of \$6,621,730) at December 31, 2018 is subject to an annual spending rate of 3.5 percent as described in *Note 3*. The governing board has also designated, from net assets without donor or certain grantor restrictions, net assets for an operating reserve and a strategic growth reserve. Although Dallas CASA does not intend to spend from the board-designated endowment, operating reserve or strategic growth reserve (other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation), these amounts could be made available if necessary.

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Dallas CASA manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. Dallas CASA has an Operating Reserve Policy which states that that Dallas CASA will maintain six months of budgeted operating expenses, therefore maintaining an operating reserve ratio of 50% of the operational budget. To meet these targets, Dallas CASA forecasts its future cash flows and monitors its liquidity monthly and monitors its reserves annually. During the years ended December 31, 2019 and 2018, the level of liquidity and reserves was managed within the policy requirements.

Note 8: Related Party Transactions

Pledge receivables from current and former board members, employees and other related parties were \$225,600 and \$304,866 at December 31, 2019 and 2018, respectively. In addition, for the years ended December 31, 2019 and 2018, contributions from current and former board members, employees and other related parties were approximately \$755,000 and \$660,000, respectively, which includes \$516,000 and \$576,000, respectively, in revenues from special events.

Note 9: Disclosures About Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. The hierarchy comprises three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and that are significant to the fair value of the assets or liabilities

Recurring Measurements

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying consolidated statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2019 and 2018:

Dallas CASA
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| | 2019 | | | |
|---|------------------------|--|---|---|
| | Total Fair Value | Fair Value Measurements Using | | |
| | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobserv- able Inputs (Level 3) |
| Investments | | | | |
| Cash and cash equivalents | \$ 343 | \$ 343 | \$ - | \$ - |
| Fixed income securities | | | | |
| Corporate bonds | 18,446,415 | - | 18,446,415 | - |
| Mutual funds | | | | |
| Total stock market index fund | 6,508,015 | 6,508,015 | - | - |
| Total international stock market index fund | 2,022,294 | 2,022,294 | - | - |
| Intermediate term corporate bond index fund | 5,279,899 | 5,279,899 | - | - |
| Total investments | 32,256,966 | 13,810,551 | 18,446,415 | - |
| Beneficial interest in agency endowment | 201,351 | - | - | 201,351 |
| Total assets | <u>\$ 32,458,317</u> | <u>\$ 13,810,551</u> | <u>\$ 18,446,415</u> | <u>\$ 201,351</u> |

| | 2018 | | | |
|---|------------------------|--|---|---|
| | Total Fair Value | Fair Value Measurements Using | | |
| | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobserv- able Inputs (Level 3) |
| Investments | | | | |
| Cash and cash equivalents | \$ 338 | \$ 338 | \$ - | \$ - |
| Fixed income securities | | | | |
| Corporate bonds | 17,411,084 | - | 17,411,084 | - |
| Mutual funds | | | | |
| Total bond market index fund | 837,516 | 837,516 | - | - |
| Total stock market index fund | 4,622,883 | 4,622,883 | - | - |
| Total international stock market index fund | 1,456,505 | 1,456,505 | - | - |
| Intermediate term corporate bond index fund | 3,617,185 | 3,617,185 | - | - |
| Total investments | 27,945,511 | 10,534,427 | 17,411,084 | - |
| Beneficial interest in agency endowment | 157,659 | - | - | 157,659 |
| Total assets | <u>\$ 28,103,170</u> | <u>\$ 10,534,427</u> | <u>\$ 17,411,084</u> | <u>\$ 157,659</u> |

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The following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying consolidated statements of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the years ended December 31, 2019 and 2018.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

Beneficial Interest in Agency Endowment

Fair value for the beneficial interest in agency endowment is estimated based on estimates of the NAV of the investment pool as provided by the custodian. Because Dallas CASA owns an undivided interest in the agency endowment, its unit of account for fair value measurement purposes is its interest in agency endowment's assets. As no observable inputs exist for interest in net assets at the Foundation, the interest is classified within Level 3 of the hierarchy.

Note 10: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Investments

Dallas CASA invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market 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 investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying consolidated statements of financial position.

Contributions and Government Grants

For the years ended December 31, 2019 and 2018, grants and contributions were raised from the following sources:

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| | <u>2019</u> | <u>2018</u> |
|--|---------------------|---------------------|
| Grants | | |
| Texas CASA - Federal | \$ 1,606,471 | \$ 1,513,098 |
| State of Texas | 42,000 | 42,000 |
| Texas CASA - State of Texas | 941,568 | 861,151 |
| County of Dallas | 1,249,992 | 1,249,992 |
| National CASA | 30,000 | - |
| Other | 50,505 | 35,696 |
| | <u>\$ 3,920,536</u> | <u>\$ 3,701,937</u> |
| Contributions | | |
| Foundations | \$ 585,005 | \$ 1,932,849 |
| Corporations | 149,504 | 112,602 |
| Organizations | 120,882 | 221,839 |
| Individuals | 375,853 | 675,971 |
| Board of directors and other related parties | 239,000 | 84,000 |
| Other | 80,788 | 146,328 |
| | <u>\$ 1,551,032</u> | <u>\$ 3,173,589</u> |

Pledges Receivable

Approximately 90 percent and 45 percent of all pledges receivable were due from three donors at December 31, 2019 and 2018, respectively.

Special Events

The Dallas CASA Classic golf tournament generated 74% and 71% of total special events for the years ended December 31, 2019 and 2018; respectively.

Note 11: Revenue from Contracts with Customers

Special Events Revenue

Performance obligations are determined based on the nature of the services provided by Dallas CASA in accordance with the contract. Special events revenue within the scope of Topic 606 is recognized in the same period as the event. Dallas CASA believes this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the outputs needed to satisfy the obligation. The exchange portion of special events revenue was \$791,432 and \$751,635 for the years ended December 31, 2019 and 2018, respectively.

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Transaction Price and Recognition

For the portion of special events revenue within the scope of Topic 606, Dallas CASA considers the transaction price to be the cost of direct benefit to donors. Dallas CASA has not incurred material refunds in the past, and accordingly, has not provided for a refund liability at December 31, 2019 and 2018.

For the years ended December 31, 2019 and 2018, Dallas CASA recognized no revenue from services that transfer to the donor over time.

Note 12: Subsequent Events

As a result of the occurrence and spread of the COVID-19, global economic uncertainties have arisen which may negatively affect the financial position and cash flows of Dallas CASA. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time. Dallas CASA expects to access its reserves in order to support ongoing operations.

Subsequent events have been evaluated through May 13, 2020, which is the date the consolidated financial statements were available to be issued.