

**NATIONAL CASA ASSOCIATION**

FINANCIAL REPORT

DECEMBER 31, 2018

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Trustees  
National CASA Association  
Seattle, Washington

We have audited the accompanying financial statements of National CASA Association, which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States 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 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 financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of National CASA Association as of December 31, 2018 and 2017, 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.

## **Emphasis of a Matter – Recent Accounting Pronouncement Adopted**

As discussed in Note 1 to the financial statements, in 2018, National CASA Association adopted the provisions of Accounting Standards Update ("ASU") No. 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. Our opinion is not modified with respect to this matter.

## **Other Matters**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2019, on our consideration of National CASA Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of National CASA Association'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 National CASA Association's internal control over financial reporting and compliance.



March 29, 2019

**NATIONAL CASA ASSOCIATION**

STATEMENTS OF FINANCIAL POSITION

December 31, 2018 and 2017

ASSETS	<u>2018</u>	<u>2017</u>
Current Assets		
Cash	\$ 2,907,680	\$ 2,814,226
Investments	440,668	330,395
Receivable from Department of Justice	200,979	296,060
Contributions receivable - current portion	160,070	146,713
Deposits and prepaid expenses	<u>70,177</u>	<u>101,734</u>
Total current assets	3,779,574	3,689,128
Contributions Receivable, net of current portion and discount		169,820
Contributions Receivable Restricted for Endowment, net of discount	107,534	213,510
Endowment Cash and Investments	<u>249,938</u>	<u>147,503</u>
Total assets	<u>\$ 4,137,046</u>	<u>\$ 4,219,961</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 173,178	\$ 100,979
Accrued wages and benefits	255,790	139,768
Deferred conference revenue	<u>10,000</u>	<u>134,968</u>
Total current liabilities	438,968	375,715
Net Assets		
Without donor restrictions	1,800,864	1,652,928
With donor restrictions	<u>1,897,214</u>	<u>2,191,318</u>
Total net assets	<u>3,698,078</u>	<u>3,844,246</u>
Total liabilities and net assets	<u>\$ 4,137,046</u>	<u>\$ 4,219,961</u>

See Notes to Financial Statements

## NATIONAL CASA ASSOCIATION

### STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2018 and 2017

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and Revenue</b>						
Department of Justice cooperative agreements	\$ 8,519,370	\$ -	\$ 8,519,370	\$ 8,080,264	\$ -	\$ 8,080,264
Department of Justice grant	1,128,607		1,128,607	2,467,310		2,467,310
Conference fees	621,594		621,594	587,400		587,400
Membership dues	244,701		244,701	246,284		246,284
Corporate and foundation contributions	407,366	848,151	1,255,517	98,890	1,285,326	1,384,216
Individual contributions	623,345	91,125	714,470	646,044		646,044
Interest and investment income	(14,722)	(10,031)	(24,753)	49,964	12,503	62,467
In-kind contributions	114,993		114,993	59,803		59,803
Net assets released from restrictions	1,223,349	(1,223,349)		915,686	(915,686)	
Total support and revenue	12,868,603	(294,104)	12,574,499	13,151,645	382,143	13,533,788
<b>Expenses</b>						
Training and technical assistance	4,374,293		4,374,293	3,564,397		3,564,397
Member and public outreach	1,431,188		1,431,188	1,433,688		1,433,688
Grant activities	4,100,319		4,100,319	5,676,860		5,676,860
Total program services	9,905,800		9,905,800	10,674,945		10,674,945
General and administrative	2,472,486		2,472,486	2,114,644		2,114,644
Fundraising	342,381		342,381	208,451		208,451
Total supporting services	2,814,867		2,814,867	2,323,095		2,323,095
Total expenses	12,720,667		12,720,667	12,998,040		12,998,040
<b>Change in net assets</b>	<b>147,936</b>	<b>(294,104)</b>	<b>(146,168)</b>	<b>153,605</b>	<b>382,143</b>	<b>535,748</b>
Net Assets, beginning of year	1,652,928	2,191,318	3,844,246	1,499,323	1,809,175	3,308,498
Net Assets, end of year	<u>\$ 1,800,864</u>	<u>\$ 1,897,214</u>	<u>\$ 3,698,078</u>	<u>\$ 1,652,928</u>	<u>\$ 2,191,318</u>	<u>\$ 3,844,246</u>

See Notes to Financial Statements

**NATIONAL CASA ASSOCIATION**

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2018

	Program Services			Supporting Services				Total
	Training and Technical Assistance	Member and Public Outreach	Grant Activities	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	
Personnel and payroll taxes	\$ 2,669,920	\$ 1,164,955	\$ 309,627	\$ 4,144,502	\$ 1,202,770	\$ 108,026	\$ 1,310,796	\$ 5,455,298
Grantee disbursements			3,730,748	3,730,748				3,730,748
Contract services	993,748	52,394	23,637	1,069,779	124,363	132,473	256,836	1,326,615
Program promotion and other	81,269	151,377	642	233,288	569,938	11,841	581,779	815,067
Travel and subsistence	411,032	227	8,690	419,949	159,811	40,390	200,201	620,150
Rent	71,691	56,898	26,765	155,354	144,266	30,020	174,286	329,640
Office supplies and postage	36,186	1,698		37,884	124,618	5,113	129,731	167,615
In-kind contributions	103,979			103,979	11,014		11,014	114,993
Professional fees	1,342			1,342	64,844	11,965	76,809	78,151
Telephone and toll-free number	2,920	577	210	3,707	58,258		58,258	61,965
Insurance					12,557		12,557	12,557
Printing	2,206	3,062		5,268	47	2,553	2,600	7,868
<b>Total expenses</b>	<b>\$ 4,374,293</b>	<b>\$ 1,431,188</b>	<b>\$ 4,100,319</b>	<b>\$ 9,905,800</b>	<b>\$ 2,472,486</b>	<b>\$ 342,381</b>	<b>\$ 2,814,867</b>	<b>\$ 12,720,667</b>

See Notes to Financial Statements

**NATIONAL CASA ASSOCIATION**

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2017

	Program Services			Supporting Services			Total	
	Training and Technical Assistance	Member and Public Outreach	Grant Activities	Total Program Services	General and Administrative	Fundraising		Total Supporting Services
Personnel and payroll taxes	\$ 2,317,654	\$ 999,060	\$ 267,043	\$ 3,583,757	\$ 991,391	\$ 86,061	\$ 1,077,452	\$ 4,661,209
Grantee disbursements			5,298,619	5,298,619				5,298,619
Contract services	498,823	187,912	50,830	737,565	226,194	26,071	252,265	989,830
Program promotion and other	94,219	115,055		209,274	117,997	33,190	151,187	360,461
Travel and subsistence	497,122	26,598	22,450	546,170	115,342	4,133	119,475	665,645
Rent	57,920	55,851	29,480	143,251	168,680	27,234	195,914	339,165
Office supplies and postage	53,939	21,870	368	76,177	273,763	31,202	304,965	381,142
In-kind contributions					59,803		59,803	59,803
Professional fees					113,214		113,214	113,214
Telephone and toll-free number	40,137	6,358	8,070	54,565	35,318	480	35,798	90,363
Insurance					12,936		12,936	12,936
Printing	4,583	20,984		25,567	6	80	86	25,653
<b>Total expenses</b>	<b>\$ 3,564,397</b>	<b>\$ 1,433,688</b>	<b>\$ 5,676,860</b>	<b>\$ 10,674,945</b>	<b>\$ 2,114,644</b>	<b>\$ 208,451</b>	<b>\$ 2,323,095</b>	<b>\$ 12,998,040</b>

See Notes to Financial Statements



## NATIONAL CASA ASSOCIATION

### STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities		
Cash received from grants and contributions	\$ 11,863,018	\$ 12,367,073
Cash received from membership dues and conferences	741,327	848,872
Investment income received	23,228	4,405
Cash paid to suppliers	(3,315,871)	(3,049,951)
Cash paid to employees and related payroll taxes	(5,339,277)	(4,622,441)
Grants paid	(3,730,748)	(5,298,619)
Net cash flows from operating activities	241,677	249,339
Cash Flows from Investing Activities		
Proceeds from sales of investments	78,788	4,418
Purchases of investments (and dividends reinvested)	(227,011)	
Purchases of endowment investments	(112,466)	(70,000)
Net cash flows from investing activities	(260,689)	(65,582)
Cash Flows from Financing Activity		
Cash receipts on endowment contributions	112,466	70,000
<b>Net change in cash</b>	<b>93,454</b>	<b>253,757</b>
Cash, beginning of year	2,814,226	2,560,469
Cash, end of year	\$ 2,907,680	\$ 2,814,226

See Notes to Financial Statements

## NOTES TO FINANCIAL STATEMENTS

### **Note 1. Organization and Significant Accounting Policies**

#### **Organization**

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

#### **Use of Estimates**

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

#### **Income Taxes**

National CASA is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

#### **Functional Allocation of Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis on the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Personnel and payroll tax expenses are allocated among functional expenses on the basis of time and effort. Rent expense is allocated on a square footage basis. Other expenses that are shared among functional expense categories are allocated based on estimates.

#### **Financial Statement Presentation**

National CASA reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Contributions that are received are recorded in one of these two categories depending on the existence and/or nature of any donor restrictions.

### **Net Assets with Donor Restrictions**

Some net assets with donor restrictions are temporary in nature and consist of unexpended contributions restricted for particular programs or time periods. Other net assets have perpetual donor restrictions, where the principal of contributions is restricted in perpetuity and the income from which is utilized for the purposes specified by the donors. Net assets with temporary donor restrictions are transferred to net assets without donor restrictions as expenditures are incurred for the restricted programs or time restrictions are met. Net assets with donor restrictions are as follows at December 31:

	<u>2018</u>	<u>2017</u>
Net assets with purpose or time restrictions		
Performance measurement	\$ 665,147	\$ 489,891
Fostering Futures	427,500	
Volunteer retention	219,750	235,000
Barbara Cooper Fund	112,824	100,000
Nunn Scholarship	37,725	24,600
Every Kid Needs a Family Initiative	25,000	
Pass-through grants to CASA programs	22,453	542,424
Local program support and sponsored events	19,343	139,245
Time-restricted	10,000	38,164
Advocate training and education, public awareness and collaborative partnerships, and community investments		241,899
Sponsored events		19,082
	<u>1,539,742</u>	<u>1,830,305</u>
Net assets with endowment restrictions		
Endowment Scholarship Fund	355,000	348,510
Unappropriated endowment earnings	2,472	12,503
	<u>357,472</u>	<u>361,013</u>
Total	<u>\$ 1,897,214</u>	<u>\$ 2,191,318</u>

The Endowment Scholarship Fund is expected to be fully funded in the next year and is included with contributions receivable in Note 3 and endowment net assets in Note 6.

### **Cash**

Cash includes cash in banks and money market funds (except for cash accounts classified as investments). National CASA has amounts deposited with a financial institution in excess of federally insured limits. These amounts are used to fund regular operations.

## **Investments**

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

	<u>2018</u>	<u>2017</u>
Cash	\$ 113,603	\$ 2,532
Mutual funds		
Foreign large-cap blend	106,574	47,062
Ultrashort bond	97,652	
Large-cap growth	56,576	74,770
Large-cap blend	46,792	66,201
Intermediate bond	22,324	9,909
Large-cap value	11,094	12,092
Mid-cap growth	7,543	7,705
High-yield bond	4,297	13,141
World bond	2,809	27,113
World allocation		11,603
Exchange-traded funds		
Intermediate bond	92,918	87,279
Mid-cap value	25,756	41,006
Inflation-protected bond	24,092	
Diversified emerging markets	23,829	12,226
Small-cap value	22,019	25,999
Foreign large-cap blend	13,535	16,340
Small-cap blend	9,986	10,700
Large-cap blend	9,207	12,220
	<u>\$ 690,606</u>	<u>\$ 477,898</u>

Investments are included in the statements of financial position as follows at December 31:

	<u>2018</u>	<u>2017</u>
Investments	\$ 440,668	\$ 330,395
Endowment cash and investments	249,938	147,503
	<u>\$ 690,606</u>	<u>\$ 477,898</u>

Interest and investment income is composed of the following for the years ended December 31:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 23,228	\$ 4,405
Realized/unrealized gain (loss) on investments	(47,981)	58,062
	<u>\$ (24,753)</u>	<u>\$ 62,467</u>

## **Receivables/Revenue**

The receivable from the United States Department of Justice consists of funds that have been earned but not yet received.

Grant revenues are recognized when expenditures related to the grants are made. Contributions are recognized when the pledge is made. Amounts due from one organization represented 50% and 79% of the contributions receivable balance at December 31, 2018 and 2017, respectively. Of total revenues, 77% and 78% were from the United States Department of Justice in 2018, and 2017, respectively.

Conference fees are recognized when the related conference takes place. Conference fees received prior to the conference taking place are considered deferred conference fees. Membership dues are recognized in the year in which they are invoiced.

### **In-Kind Contributions**

Donations of services, supplies, and facilities are recorded as revenue at the estimated fair value at the date of donation. During 2018 and 2017, in-kind revenue consisted primarily of pro bono legal work.

### **Recent Accounting Pronouncement Adopted**

During the year ended December 31, 2018, National CASA adopted the provisions of Accounting Standards Update ("ASU") No. 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classifications, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. National CASA has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented, except for the liquidity and availability of financial assets note (see Note 2).

### **Reclassifications**

Certain amounts in the prior-year financial statements have been reclassified to conform to the current-year presentation.

### **Subsequent Events**

National CASA has evaluated subsequent events through the date these financial statements were available to be issued, which was March 29, 2019.

## **Note 2. Liquidity and Availability of Financial Assets**

National CASA strives to maintain liquid financial assets sufficient to cover 60 days of general expenditures, excluding federal sub-awards to member programs. The federal sub-awards and a majority of the general expenditures are reimbursable expenses to National CASA from the United States Department of Justice cooperative agreements and grants. National CASA is able to draw down funds from these awards as frequently as needed, and reimbursement from the federal government is received within two business days following submission.

In addition, National CASA has net assets with donor restrictions that are designated for activities planned and budgeted for during the next 12 months.

The following tables show the total financial assets held by National CASA and the amounts of those financial assets that could readily be made available within one year of the statement of financial position date to meet general expenditures as of December 31, 2018.

Financial assets are as follows as of December 31, 2018:

Cash	\$ 2,907,680
Receivable from Department of Justice	200,979
Contributions receivable	267,604
Investments convertible to cash in the next 12 months	440,668
Other investments	249,938
	<hr/>
Total financial assets at year-end	<u>\$ 4,066,869</u>

Financial assets available to meet general expenditures over the next 12 months are as follows as of December 31, 2018:

Cash	\$ 2,907,680
Receivable from Department of Justice	200,979
Contributions receivable	160,070
Investments convertible to cash in the next 12 months	440,668
	<hr/>
	<u>\$ 3,709,397</u>

### Note 3. Contributions Receivable

Pledges receivable consist of unconditional promises to give. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are initially recorded at fair value, which is measured at present value of the future cash flows. The discounts (if any) on those amounts are computed using a donor-specific discount rate of 3% in 2018 (based on the creditworthiness of the donors and history of collections) and an estimated allowance for doubtful accounts. Amortization of the discount is included in gifts and contributions revenue in the statements of activities. Management has determined that no allowance for doubtful accounts was necessary at December 31, 2018 or 2017.

Contributions are summarized as follows at December 31:

	<u>2018</u>	<u>2017</u>
Amounts due in:		
Less than one year	\$ 267,604	\$ 216,713
One to five years, net of present value discount of \$14,169 for 2017		<hr/> 313,330
	<hr/> 267,604	530,043
Less: long-term portion		169,820
Less: contributions receivable restricted for endowment	107,534	213,510
	<hr/> 160,070	<hr/> 146,713
Current portion - contributions receivable	<u>\$ 160,070</u>	<u>\$ 146,713</u>

### Note 4. Lease Commitments

National CASA leases office space under two operating leases, which expire through January 31, 2021. Rent expense for 2018 and 2017 was \$329,640 and \$339,165, respectively.

Future minimum rental payments are as follows for the years ending December 31:

2019	\$	312,321
2020		317,280
2021		59,515
	\$	<u>689,116</u>

#### **Note 5. Grant Commitments**

National CASA has committed to distribute approximately \$2,120,200 to local and state CASA organizations between October 1, 2018, and September 30, 2019. The Association distributed a total of \$433,000 through December 31, 2018. Funding for this program is received from the United States Department of Justice (Cooperative Agreement) for pass-through grants.

The commitment listed above is contingent on National CASA receiving appropriate funding.

#### **Note 6. Endowment**

National CASA's endowment consists of one donor-restricted fund established to fund scholarships for foster children. As required by accounting principles generally accepted in the United States, net assets associated with endowment funds, including quasi-endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

#### **Interpretation of Relevant Law**

The Board of Trustees of National CASA has interpreted the State of Washington 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, National CASA classifies as endowment net assets (a) the original value of gifts donated to the endowment, plus (b) the original value of subsequent gifts to the endowment and accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with UPMIFA, National CASA considers the following factors in making a determination to appropriate or accumulate donor-restricted funds:

- The duration and preservation of the endowment fund
- The purposes of National CASA and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation or deflation
- The expected total return from income and the appreciation of investments
- Other resources of National CASA

Endowment assets at December 31, 2018 and 2017, consisted of \$249,938 and \$147,503 in donor-restricted endowment investment funds, respectively. The remaining balance of pledged but uncollected funds classified as net assets with donor restrictions is expected to be collected over the next year and amounts to \$107,534 at December 31, 2018.

Endowment net assets are as follows at December 31:

	2018	2017
Amounts required to be invested in perpetuity	\$ 247,466	\$ 135,000
Unappropriated endowment earnings	2,472	12,503
	\$ 249,938	\$ 147,503

Changes in endowment net assets for the years ended December 31, 2018 and 2017, are as follows:

Endowment net assets, December 31, 2016	\$ 65,000
Cash received on contributions and pledges	70,000
Investment income	12,503
Endowment net assets, December 31, 2017	147,503
Cash received on contributions and pledges	112,466
Investment loss	(10,031)
Endowment net assets, December 31, 2018	\$ 249,938

### **Return Objectives and Risk Parameters**

National CASA has adopted investment and spending policies for endowment assets that are long-term in nature with an investment horizon of at least 7 to 10 years (once the endowment is fully funded). The long-term objective is to earn a total rate of return that will exceed the demands placed on the portfolio to support National CASA's goals. Endowment assets include those assets of donor-restricted funds that National CASA must hold in perpetuity. Over a three- to five-year period, endowment investments are expected to achieve a total rate of return that compares favorably to specified benchmarks. National CASA expects its endowment funds to provide a rate of return of at least the U.S. Consumer Price Index plus 1% each year.

### **Strategies Employed for Achieving Objectives**

To satisfy its long-term rate-of-return objectives, National CASA will rely on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). National CASA will target an asset allocation that places a greater emphasis on equity investments, both domestic and international, as well as fixed income and cash equivalents.

### **Spending Policy and How the Investment Objectives Relate to the Spending Policy**

National CASA has a policy of appropriating for distribution each year 5% of the previous year's ending balance in the portfolio (once the endowment is fully funded). In establishing this policy, National CASA considered the long-term expected return on its endowment.

### **Funds with Deficiencies**

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires National CASA to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2018 or 2017.



SUPPLEMENTARY REPORTS AND  
SCHEDULES IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS  
AND THE UNIFORM GUIDANCE

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees  
National CASA Association  
Seattle, Washington

We have audited in accordance with the auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of National CASA Association ("National CASA"), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 29, 2019.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered National CASA's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of National CASA's internal control. Accordingly, we do not express an opinion on the effectiveness of National CASA's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether National CASA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Peterson Sullivan LLP.*

March 29, 2019

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Trustees  
National CASA Association  
Seattle, Washington

**Report on Compliance for Each Major Federal Program**

We have audited National CASA Association's ("National CASA") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of National CASA's major federal programs for the year ended December 31, 2018. National CASA's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of National CASA's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about National CASA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of National CASA's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, National CASA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2018.

### **Report on Internal Control over Compliance**

Management of National CASA is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered National CASA's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of National CASA's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Peterson Sulli LLP.*

March 29, 2019

**NATIONAL CASA ASSOCIATION**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2018

<u>Federal Grantor/Program Title</u>	<u>Award Number</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>	<u>Passed Through to Subrecipients</u>
<b>Department of Justice</b>				
Office of Juvenile Justice and Delinquency Prevention				
Court Appointed Special Advocates*	2015-CH-BX-K001	16.756	\$ 7,373,120	\$ 1,874,279
Court Appointed Special Advocates*	2018-CH-BX-K001	16.756	<u>1,146,250</u>	<u>433,000</u>
Total Court Appointed Special Advocates			8,519,370	2,307,279
Juvenile Mentoring Program*	2015-JU-FX-0008	16.726	<u>1,128,607</u>	<u>967,103</u>
Total Office of Juvenile Justice and Delinquency Prevention			<u>9,647,977</u>	<u>3,274,382</u>
<b>Total federal expenditures</b>			<b><u>\$ 9,647,977</u></b>	<b><u>\$ 3,274,382</u></b>

\* Denotes a major program

See Notes to Schedule of Expenditures of Federal Awards

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

### **Note 1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards ("the Schedule") includes the federal grant activity of National CASA Association ("National CASA") under programs of the federal government for the year ended December 31, 2018. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of National CASA, it is not intended to and does not present the financial position, changes in net assets, or cash flows of National CASA.

### **Note 2. Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

### **Note 3. Indirect Cost Rate**

National CASA has elected not to use the 10 percent de minimus indirect cost rate as allowed under the Uniform Guidance.

**NATIONAL CASA ASSOCIATION**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

For the Year Ended December 31, 2018

**A. Summary of Audit Results**

**Financial Statements:**

Type of auditors' report issued: Unmodified

**Internal Control Over Financial Reporting:**

Material weaknesses identified: None reported

Significant deficiencies identified not considered to be material weaknesses: None reported

Noncompliance material to financial statements noted: None reported

**Federal Awards:**

Material weaknesses identified: None reported

Significant deficiencies identified not considered to be material weaknesses: None reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported: None reported

**Identification of Major Programs:**

Program Title CFDA Number

Court Appointed Special Advocates 16.756

Juvenile Mentoring Program 16.726

Dollar threshold used to distinguish between Type A and B programs: \$ 750,000

Auditee qualified as low-risk auditee: Yes

**B. Findings - Financial Statement Audit** None reported

**C. Findings and Questioned Costs - Major Federal Award Programs Audit** None reported