

**Court Appointed Special Advocates
of Santa Barbara County**

Audited Financial Statements

June 30, 2017

Court Appointed Special Advocates of Santa Barbara County

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Court Appointed Special Advocates of Santa Barbara County
2601 Skyway Drive, Suite A3
Santa Maria, California 93455

I have audited the accompanying financial statements of Court Appointed Special Advocates of Santa Barbara County (a nonprofit corporation), which comprise the statement of financial position as of June 30, 2017, the related statements of activities, functional expenses, and cash flows for the fiscal year 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 of America. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted the audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 auditors' 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Court Appointed Special Advocates of Santa Barbara County as of June 30, 2017, and the changes in its net assets and its cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Lisa J. McGrath, CPA

Waldport, Oregon
September 16, 2017

Court Appointed Special Advocates of Santa Barbara County
Statement of Financial Position
June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Assets			
Current assets			
Cash	\$ 211,440	\$ 71,984	\$ 283,424
Accounts receivable	447,686		447,686
Promises to give		32,350	32,350
Prepaid expenses and deposits	15,160	893	16,053
Total current assets	<u>674,286</u>	<u>105,227</u>	<u>779,513</u>
Fixed assets			
Fixed assets, at cost	324,589		324,589
Less: Accumulated depreciation	<u>(195,534)</u>		<u>(195,534)</u>
Net fixed assets	<u>129,055</u>		<u>129,055</u>
Other assets			
Investments	304,776		304,776
Investment in the Case for Kids, LLC	4,488		4,488
Promises to give, long-term portion		9,736	9,736
Total other assets	<u>309,264</u>	<u>9,736</u>	<u>319,000</u>
Total assets	<u>\$ 1,112,605</u>	<u>\$ 114,963</u>	<u>\$ 1,227,568</u>
Liabilities and net assets			
Current liabilities			
Accounts payable	\$ 11,078	\$ -	\$ 11,078
Payroll liabilities	72,568		72,568
Deferred revenue	170,421		170,421
Total current liabilities	<u>254,067</u>		<u>254,067</u>
Net assets			
Unrestricted			
Undesignated	858,538		858,538
Temporarily restricted		114,963	114,963
Total net assets	<u>858,538</u>	<u>114,963</u>	<u>973,501</u>
Total liabilities and net assets	<u>\$ 1,112,605</u>	<u>\$ 114,963</u>	<u>\$ 1,227,568</u>

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

Court Appointed Special Advocates of Santa Barbara County

Statement of Activities

Fiscal Year Ended June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support:			
Grants	\$ 461,000	\$ -	\$ 461,000
Government grants	315,630		315,630
Contributions	209,257	5,505	214,762
Promises to give		3,244	3,244
Contributions in-kind	906,426	65,294	971,720
Total support	<u>1,892,313</u>	<u>74,043</u>	<u>1,966,356</u>
Revenues:			
Special events (net of direct costs)	121,744		121,744
Interest	500		500
Investment income	(861)		(861)
Miscellaneous	335		335
Total revenues	<u>121,718</u>	<u>-</u>	<u>121,718</u>
Total support and revenues	2,014,031	74,043	2,088,074
Reclassifications:			
Temporarily restricted net assets released from restrictions	<u>110,572</u>	<u>(110,572)</u>	
Total support, revenues and reclassifications	<u>2,124,603</u>	<u>(36,529)</u>	<u>2,088,074</u>
Expenses:			
Program services:			
Advocate program	1,672,002		1,672,002
Support services:			
Management and general	122,705		122,705
Fundraising	297,028		297,028
Total expenses	<u>2,091,735</u>		<u>2,091,735</u>
Increase (decrease) in net assets	<u>32,868</u>	<u>(36,529)</u>	<u>(3,661)</u>
Net assets at beginning of fiscal year	<u>825,670</u>	<u>151,492</u>	<u>977,162</u>
Net assets at end of fiscal year	<u>\$ 858,538</u>	<u>\$ 114,963</u>	<u>\$ 973,501</u>

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

Court Appointed Special Advocates of Santa Barbara County
Statement of Functional Expenses for Program and Support Services
Fiscal Year Ended June 30, 2017

	Program	Support Services		Total Expenses
	Services Advocate Program	Management and General	Fund- raising	
Salaries and wages	\$ 495,816	\$ 70,287	\$ 94,873	\$ 660,976
Payroll taxes	41,657	5,905	7,971	55,533
Employee benefits	53,366	7,565	10,211	71,142
Workers' compensation	3,175	450	607	4,232
Total personnel costs	594,014	84,207	113,662	791,883
Advocate appreciation	15,958			15,958
Audit and accounting	4,759	4,759	4,759	14,277
Bank fees	770	144	48	962
Contract labor	1,925	687	8,673	11,285
Donor cultivation			16,178	16,178
Dues and subscriptions	1,944	486	5,435	7,865
Education and conferences		10,018		10,018
Equipment rental	2,388	448	149	2,985
Insurance	7,366	1,381	461	9,208
Kid's Fund	11,035			11,035
Licenses, fees, taxes		1,014		1,014
Meetings		461		461
Mileage	8,521		6,914	15,435
Miscellaneous		816		816
Office supplies	2,290	429	143	2,862
Payroll service fees	1,956	277	374	2,607
Postage	555	341	2,524	3,420
Printing and reproduction	266	568	16,448	17,282
Public awareness	14,576			14,576
Recognition, board and staff	4,496			4,496
Rent	25,690	4,817	1,605	32,112
Maintenance and utilities	17,986	3,372	1,124	22,482
Special events direct costs			122,235	122,235
Supplies	13,635		1,384	15,019
Telephone	26,991	1,335	445	28,771
Travel	1,459			1,459
Uncollectable accounts			10,304	10,304
Vehicle	3,037			3,037
Volunteer expenses	30,050			30,050
Subtotal expenses	791,667	115,560	312,865	1,220,092
Contributions in-kind	856,833	2,738	104,929	964,500
Depreciation	23,502	4,407	1,469	29,378
Less special event direct costs			(122,235)	(122,235)
Total expenses	\$ 1,672,002	\$ 122,705	\$ 297,028	\$ 2,091,735
Percent of total expenses	80%	6%	14%	100%

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

Court Appointed Special Advocates of Santa Barbara County
Statement of Cash Flows
Fiscal Year Ended June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Cash flows from operating activities			
Increase (decrease) in net assets	\$ 32,868	\$ (36,529)	\$ (3,661)
Adjustment to reconcile increase (decrease) in net assets to net cash provided by operating activities:			
Depreciation	29,378		29,378
Unrealized loss on investments	3,609		3,609
Changes in operating assets and liabilities:			
(Increase) decrease in:			
Accounts receivable	(391,486)		(391,486)
Promises to give		30,999	30,999
Prepaid expenses and deposits	1,420	1,221	2,641
Increase (decrease) in:			
Accounts payable	3,501		3,501
Payroll liabilities	2,872		2,872
Deferred revenue	160,421		160,421
Net cash provided by operating activities	<u>(157,417)</u>	<u>(4,309)</u>	<u>(161,726)</u>
Cash flows from investing activities			
Purchases of fixed assets	(2,142)		(2,142)
Investment in the Case for Kids, LLC	(4,488)		(4,488)
Purchases of investments	(52,868)		(52,868)
Sales of investments	50,000		50,000
Net cash used by investing activities	<u>(9,498)</u>	<u>-</u>	<u>(9,498)</u>
Net increase in cash and equivalents	(166,915)	(4,309)	(171,224)
Cash and cash equivalents at beginning of fiscal year	<u>378,355</u>	<u>76,293</u>	<u>454,648</u>
Cash and cash equivalents at end of fiscal year	<u>\$ 211,440</u>	<u>\$ 71,984</u>	<u>\$ 283,424</u>
Schedule of noncash transactions:			
Donated automobile	<u>\$ 7,220</u>		

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

Court Appointed Special Advocates of Santa Barbara County

Notes to the Financial Statements

Fiscal Year Ended June 30, 2017

Note 1 - Significant Accounting Policies

The following is a summary of significant accounting policies followed in the preparation of these financial statements. The policies conform to accounting principles generally accepted in the United States of America applicable to voluntary health and welfare organizations and have been consistently applied.

Nature of operations

Court Appointed Special Advocates (CASA) of Santa Barbara County, is a California nonprofit corporation whose mission is to assure a safe, permanent, nurturing home for every abused and/or neglected child by providing a highly-trained volunteer to advocate for them in the court system. CASA serves children in Santa Barbara County, and derives its revenues primarily from grants, contributions, and fund raising.

Description of programs

Advocate program - Works to prevent abused, neglected, and abandoned children from becoming lost in the Juvenile Dependency system, and finds them safe, permanent homes as quickly as possible, by carefully pairing a CASA volunteer advocate with a child to ensure that the child's best interest is served. The advocate spends time with the child, gathers relevant information, assesses the child's needs, writes reports for the juvenile court judge, and attends all court hearings regarding the child until a suitable, nurturing, permanent home is obtained.

Management and General - Includes the functions necessary to maintain the Organization's support program; ensure an adequate working environment; provide coordination and articulation of the Organization's program strategy through the office of the executive director; secure proper administrative functioning of the board of directors; maintain competent legal services for the program administration of the Organization; and manage the financial and budgetary responsibilities of the Organization.

Fundraising - Provides the structure necessary to encourage and secure private financial support from individuals, foundations, and businesses.

Basis of accounting

The accompanying financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other accruals.

Basis of presentation

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions as follows:

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

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that can be fulfilled by actions of the Organization pursuant to those stipulations, or that expire by the passage of time. CASA currently has contributions temporarily restricted for a specific purpose.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of such assets permit the Organization to use all or part of the income earned on the assets. CASA does not currently have any permanently restricted net assets.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses

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

Subsequent events

Management has evaluated subsequent events through September 16, 2017, which was the date the financial statements were available to be issued.

Advertising costs

Advertising costs intended to solicit revenue in an exchange transaction are recorded as management and general expenses in the period incurred.

Court Appointed Special Advocates of Santa Barbara County

Notes to the Financial Statements

Fiscal Year Ended June 30, 2017

Note 1 - Significant Accounting Policies (continued)

Tax status

CASA has been determined to be exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code. CASA qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2). With few exceptions, CASA is no longer subject to U.S. federal and state income tax examinations by tax authorities for fiscal years before July 1, 2013.

Cash

All short-term investments with original maturities of three months or less are considered to be cash equivalents.

Accounts receivable and allowance for doubtful accounts

Receivables are accounted for on the accrual basis and become past due after 30 days. No allowance for uncollectable accounts has been provided, as CASA typically collects all outstanding amounts. Trade receivables are written off if all efforts at collection have failed and management determines that collection is unlikely.

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Fixed assets

Purchases of fixed assets costing \$1,000 or more are capitalized. Donated fixed assets valued at \$1,000 or more are capitalized and recorded at fair value at the time of receipt. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. The cost and accumulated depreciation of property sold or retired is removed from the related asset and accumulated depreciation accounts and any resulting gain or loss is recorded in the fiscal year of disposal. Depreciation is calculated utilizing the straight-line method over the estimated useful lives of the assets, that range from five to seven years for furniture and equipment, and 20 years for leasehold improvements.

Donations of fixed assets

Donations of property and equipment (long-lived assets) that do not have donor imposed stipulations about how long the property must be used are recorded as unrestricted contributions in the fiscal year received.

Investments

Investments consist of bank certificates of deposit and U.S. Treasury securities with readily determinable fair values, presented at fair value in the statement of financial position. Realized and unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

Revenue recognition

Grants and contributions are recognized as revenue when received, or receivables if the amount to be received can be reasonably estimated and collection is reasonably assured, under the accrual method of accounting. All other revenues and expenditures are recorded when earned.

Deferred revenue

Special events receipts are recognized as revenue in the fiscal year they are earned. Amounts collected or billed for future fiscal years are recorded as deferred revenue.

Contributed services

CASA records the fair value of contributed services in the financial statements if the services either (a) create or enhance a nonfinancial asset or (b) require specialized skills; are provided by persons possessing those skills; and would need to be purchased if they were not donated as required by ASC 958. CASA's volunteer advocates' contributed services meet these recognition requirements and are included in in-kind contributions. See Note 12 for details.

Court Appointed Special Advocates of Santa Barbara County

Notes to the Financial Statements

Fiscal Year Ended June 30, 2017

Restricted and unrestricted revenue

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Fair value measurements

FASB ASC 820, Fair Value Measurements and Disclosures, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1. Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that CASA has the ability to access.

Level 2. Inputs to the valuation methodology include:

Quoted prices for similar assets or liabilities in active markets.

Quoted prices for identical or similar assets or liabilities in inactive markets.

Inputs other than quoted prices that are observable for the asset or liability.

Inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3. Inputs to valuation methodology are unobservable and significant to the fair value measurement.

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. However, level 1 inputs are not available for some of the assets that the organization is required to measure at fair value (for example, in-kind contributions).

The primary uses of fair value measures in CASA's financial statements are as follows:

Initial measurement of in-kind contributions.

Recurring measurement of investments in U.S. Treasury securities, and certificates of deposit.

Note 2 - Cash

Cash and money market funds are held in separate bank and investment accounts. All cash deposits insured were by the federal government at June 30, 2017, and consisted of the following:

Montecito Bank & Trust	\$ 204,690
American Riviera Bank	59,054
Community Bank of Santa Maria	19,221
Petty cash	459
	<hr/>
Subtotal cash in banks and on hand	283,424
Less temporarily restricted cash	71,984
	<hr/>
Total operating cash	<u>\$ 211,440</u>

Court Appointed Special Advocates of Santa Barbara County

Notes to the Financial Statements

Fiscal Year Ended June 30, 2017

Note 3 - Concentrations

Concentrations of accounts receivable are as follows:

	<u>Amount</u>	<u>% of Total</u>
California Governor's Office of Emergency Services	\$ 371,883	83%
California Judicial Council	30,551	7%
All other	45,252	10%
Total accounts receivable	<u>\$ 447,686</u>	<u>100%</u>

Concentrations of support and revenues are as follows:

Foundation grants	\$ 461,000	22.08%
California Governor's Office of Emergency Services	214,462	10.27%
Government grants, other	101,168	4.85%
Contributions	214,762	10.29%
Promises to give	3,244	0.16%
Special events	121,744	5.83%
In-kind contributions	971,720	46.54%
Other	(26)	0.00%
Total support and revenues	<u>\$ 2,088,074</u>	<u>100.02%</u>

Note 4 - Promises to Give

Unconditional promises to give consists of multiple year contributions from individuals at June 30, 2017.

Unconditional promises to give are discounted at 3% and are due by 2022, as described below:

	<u>Short-term</u>	<u>Long-term</u>	<u>Discount Long-term</u>	<u>Net Long-term</u>	<u>Total</u>
Contributions	\$ 32,350	\$ 10,500	\$ (764)	\$ 9,736	\$ 42,086

Note 5 - Prepaid Expenses and Deposits

Prepaid expenses and deposits consisted of the following at June 30, 2017:

Prepaid insurance	\$ 11,245
Prepaid dues and postage	1,415
Kids Fund gift cards	893
Deposits	2,500
Total prepaid expenses and deposits	<u>\$ 16,053</u>

Note 6 - Fixed Assets

Fixed assets activity for the fiscal year ended June 30, 2017, is detailed in the following schedule.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Leasehold improvements	\$ 163,281	\$ -	\$ -	\$ 163,281
Furniture and fixtures	91,847			91,847
Computer equipment	57,621	2,142	(41,071)	18,692
Website and software	17,101			17,101
Vehicle	33,668			33,668
Fixed assets at cost	363,518	2,142	(41,071)	324,589
Less: Accumulated depreciation	207,227	29,378	(41,071)	195,534
Net fixed assets	<u>\$ 156,291</u>	<u>\$ (27,236)</u>	<u>\$ -</u>	<u>\$ 129,055</u>

Court Appointed Special Advocates of Santa Barbara County

Notes to the Financial Statements

Fiscal Year Ended June 30, 2017

Note 7 - Investments

The cost basis of investments, and cumulative gains and losses at June 30, 2017, is as follows:

	<u>Cost</u>	<u>Fair Value</u>
Investments in marketable securities:		
Money market funds	\$ 58,452	\$ 58,452
Certificates of deposit	100,000	98,172
U.S. Treasury obligations	147,763	147,711
Accrued interest	441	441
Total investments	<u>306,656</u>	<u>\$ 304,776</u>
Cumulative unrealized losses	<u>(1,880)</u>	
Investments at fair value	<u>\$ 304,776</u>	

Investment income for the fiscal year ended June 30, 2017, consisted of the following:

Interest and dividends	\$ 2,898
Investment fees	(150)
Unrealized loss	<u>(3,609)</u>
Net investment income	<u>\$ (861)</u>

Note 8 - Fair Value Measurements

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2017.

Exchange-traded certificates of deposit: Determined by the closing bid price on the last business day of the fiscal year if actively traded, and include accrued interest.

U.S. Department of Treasury obligations: Determined by the closing bid price on the last business day of the fiscal year if actively traded.

The following table sets forth, by level within the fair value hierarchy, CASA's assets at fair value at June 30, 2017.

	<u>Total</u>	<u>Quoted Prices in Active Markets for Identical Assets Level 1</u>	<u>Significant other Observable Inputs Level 2</u>	<u>Significant Unobservable Inputs Level 3</u>
Investments in marketable securities:				
Money market funds	\$ 58,452	\$ 58,452	\$ -	\$ -
Certificates of deposit	98,172	98,172		
U.S. Treasury securities	147,711	147,711		
Accrued interest	441	441		
Total assets stated at fair value	<u>\$ 304,776</u>	<u>\$ 304,776</u>	<u>\$ -</u>	<u>\$ -</u>

There were no significant transfers between the levels during the year, although some investments moved into Level 2 when the market for them became less active. CASA's policy is to recognize transfers in and out of levels at the end of the fiscal year; interim changes in the availability of fair value inputs are not recognized.

Court Appointed Special Advocates of Santa Barbara County

Notes to the Financial Statements

Fiscal Year Ended June 30, 2017

Note 9 - Operating Leases

CASA leases office space, storage space, and office equipment under month-to-month leases, and operating leases that mature in 2018 to 2027. Rent expense for the fiscal year ended June 30, 2017 totaled \$35,097. Future minimum rental payments required for the leases are as follows:

Fiscal year ended June 30,	
2018	\$ 43,139
2019	22,055
2020	970
2021	566
Total	<u>\$ 66,730</u>

Note 10 - Temporarily Restricted Net Assets

Temporarily restricted net assets consists of monies received during the fiscal year, and temporarily restricted for a specific purpose or period of time. Activity for temporarily restricted net assets for the fiscal year ended June 30, 2017, is detailed in the following schedule.

Temporarily restricted net assets:	Beginning Balance	Funds Received	Funds Released	Ending Balance
Building improvements	\$ 15,800	\$ -	\$ -	\$ 15,800
Kid's Fund	24,751	70,799	(76,329)	19,221
Friends of CASA	37,856			37,856
Promises to give	73,085	3,244	(34,243)	42,086
	<u>\$ 151,492</u>	<u>\$ 74,043</u>	<u>\$ (110,572)</u>	<u>\$ 114,963</u>

Note 11 - Special Events

CASA conducted three special events during the fiscal year as part of its fund raising efforts. Activity for the special events excluding contributions is detailed below.

Special events:	Receipts	Direct Costs	Net Proceeds
CASA by the Sea	\$ 109,330	\$ 52,311	\$ 57,019
CASA at the Vineyard	132,624	68,967	63,657
Online auctions	2,025	957	1,068
Total	<u>\$ 243,979</u>	<u>\$ 122,235</u>	<u>\$ 121,744</u>

The above special events generated contributions, promises to give, and in-kind contributions, that are recorded in separate line items on the accompanying statement of activities. See Note 12 for in-kind contributions for the special events. The following schedule consists of the above special events detail plus contributions, promises to give, and in-kind contributions attributed to each event, to provide more information about special events. This schedule is for the purpose of additional analysis only.

Special events:	Contributions & Receipts	Direct Costs	Net Proceeds
CASA by the Sea	\$ 196,115	\$ 110,996	\$ 85,119
CASA at the Vineyard	205,755	107,112	98,643
Online auctions	2,050	957	1,093
Total	<u>\$ 403,920</u>	<u>\$ 219,065</u>	<u>\$ 184,855</u>

Court Appointed Special Advocates of Santa Barbara County

Notes to the Financial Statements

Fiscal Year Ended June 30, 2017

Note 12 - Contributions In-kind

During the fiscal year ended June 30, 2017, volunteer court appointed special advocates provided 27,999.5 hours of professional services valued at \$26.87 per hour for the first two months, and \$27.59 for the last ten months of the fiscal year, according to California Judicial Council's annual valuation. CASA also received office space, advertising, and auction items for special events as in-kind contributions. Contributions in-kind for the fiscal year ended June 30, 2017, are as follows:

Court appointed special advocates services	\$ 768,279
Office and storage space	27,368
Kid's Fund toys, clothing, quilts, tickets, books	65,294
Special events wine, and auction items	96,829
Volkswagen Karmann Ghia automobile	7,220
Other fundraising materials and supplies	<u>6,730</u>
Total contributions in-kind revenue	971,720
Less; donated automobile recorded as an asset	<u>(7,220)</u>
Total contributions in-kind expense	<u><u>\$ 964,500</u></u>

Note 13 - Concentrations of Risk

Amounts held in financial institutions may at times be in excess of the Federal Deposit Insurance Corporation and Securities Investor Protection Corporation limits during the year. CASA deposits its cash with high quality financial institutions and management believes CASA is not exposed to significant credit risk on those amounts.

The majority of CASA's contributions and grants are received from individuals, foundations, and businesses located in the greater Santa Barbara metropolitan area and from two agency of the State of California. As such, CASA's ability to generate resources via contributions and grants is dependent upon the economic health of that area and of the County of Santa Barbara. An economic downturn could cause a decrease in contributions and grants that coincides with an increase in demand for CASA's services.

CASA's investments are subject to various risks, such as interest rate, credit, and overall market volatility risks. Further, because of the significance of the investments to CASA's financial position and the level of risk inherent in most investments, it is reasonably possible that changes in the values of these investments could occur in the near term and such changes could materially affect the amounts reported in the financial statements. Management is of the opinion that the diversification of its invested assets among the various asset classes (see Notes 7 and 8) should mitigate the impact of changes in any one class.

Note 14 - Related Party Transactions

One board director is a 50% shareholder of a company that own 63% of the limited liability company that provides telephone and internet services to CASA. The amount paid to this company during the fiscal year totaled \$23,437. CASA received \$3,320 from this company as special event sponsorships and contributions.

CASA established a separate company during the fiscal year ended June 30, 2017, to raise funds for CASA. The company is named The Case for Kids, LLC, and it's initial fundraising efforts involve a contract with Margerum Wine Company. The Case for Kids, LLC will receive 10% of the retail sales of wine club memberships and 2% of any sales referred to Margerum. The Case for Kids, LLC did not conduct any business during the fiscal year ended June 30, 2017. CASA paid for initial start up costs for the LLC, and this amount is recorded on the statement of financial position as the asset "Investment in The Case for Kids, LLC," since the start-up costs will be reimbursed to CASA once. The Case for Kids, LLC has sales income. CASA is the single member of The Case for Kids, LLC, accordingly the LLC is considered a disregarded entity for federal income tax purposes, meaning the LLC's activities will be reported on a consolidated basis in CASA's financial statements.

September 16, 2017

To the Board of Directors
Court Appointed Special Advocates of Santa Barbara County (CASA)
2601 Skydrive Drive, Suite A3
Santa Maria, California 93455

I have audited the financial statements of CASA for the fiscal year ended June 30, 2017, and have issued my report thereon dated September 16, 2017. Professional standards require that I provide you with information about my responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of my audit. I have communicated such information in my letter to you dated January 31, 2017. Professional standards also require that I communicate to you the following information related to the audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by CASA are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2017. I noted no transactions entered into by the Organization during the fiscal year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the value of services contributed by volunteer advocates is based on estimated hours of services provided times the applicable hourly rate supplied by the California Judicial Council. I evaluated the key factors and assumptions used to develop the in-kind contribution of advocate services in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

I encountered no significant difficulties in dealing with management in performing and completing the audit.

Corrected and Uncorrected Misstatements

Professional standards require me to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, some of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to my

satisfaction, that could be significant to the financial statements or the auditor's report. I am pleased to report that no such disagreements arose during the course of the audit.

Management Representations

I have requested certain representations from management that are included in the management representation letter dated September 16, 2017.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, my professional standards require the consulting accountant to check with me to determine that the consultant has all the relevant facts. To my knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

I generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditor. However, these discussions occurred in the normal course of our professional relationship and my responses were not a condition to my retention.

Comments to Management

Accrual adjustments

During the audit, we noted and recorded adjustments to the books of accounts to properly state the financial statements for fiscal year, which reduced net income by \$180,704. An adjustment to Cal OES VOCA grant revenue and deferred revenue accounted for \$157,421 of this amount. Revenue was reduced by the unearned portion of the grant and this amount recorded as the liability, deferred revenue. When this grant revenue is earned and invoiced in fiscal year 2017-2018, deferred revenue will be transferred to revenue.

Also noted during the audit were purchases of computer equipment. Some of these purchases were less than the capitalization threshold of \$1,000 per asset and so were expensed, rather than capitalized, with an audit adjustment. An additional \$10,404 was expensed as depreciation. Total adjustments to fixed assets decreased net income by \$18,720. Review of the fixed asset detail schedule revealed several computer purchases from prior to 2010. These computers were fully depreciated and removed from the fixed asset schedule. This adjustment had no net effect on the financial statements. It simply reduced fixed assets and accumulated depreciation by an offsetting \$41,071. We recommend review of the fixed asset schedule to determine whether any other assets are no longer in use at CASA, and record these dispositions as well.

Other minor adjustments included allocating investment income into its components (interest, gains, losses, fees), adjusting the Judicial Council receivable and revenue, adjusting prepaid expenses, increasing accounts payable \$2,736, increasing deferred revenue \$3,000 for 2017/2018 special events, Kid's Fund expenses, and bad debt expense.

Investment in The Case for Kids, LLC

\$4,488 was spent on The Case for Kids, LLC (C4K) during 2016/2017. These expenses were removed from the statement of activities and recorded as an asset on the statement of financial position since this amount is expected to be collected from C4K in the future. The resulting statement of activities presents only CASA's financial results.

I have shared my findings in detail with appropriate personnel and will share any audit workpapers that your staff would find useful.

Court Appointed Special Advocates of Santa Barbara County
September 16, 2017

Thank you for the opportunity to complete your annual audit. As always, it was a pleasure to work with the dedicated staff at CASA, and we greatly appreciated their assistance.

This information is intended solely for the use of the Board of Directors and management of CASA and is not intended to be and should not be used by anyone other than these specified parties.

Lisa J. McGrath, CPA

Waldport, Oregon
September 16, 2017