# Child Advocates - Denver CASA

## Financial Statements and Report of Independent Certified Public Accountants

## December 31, 2019 and 2018

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# Report of Independent Certified Public Accountants

Board of Directors
Child Advocates - Denver CASA

We have audited the accompanying financial statements of Child Advocates - Denver CASA (a nonprofit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, 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 of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we 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 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 Child Advocates - Denver 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.

Haynie & Company

Littleton, Colorado
March 31, 2020

# Child Advocates - Denver CASA
## Statements of Financial Position
## As of December 31, 2019 and 2018

| | 2019 | 2018 |
|---|---|---|
| **Assets** | | |
| Current Assets | | |
| Cash | $ 521,827 | $ 499,464 |
| Investments | 59,428 | $ 50,000 |
| Contributions receivable, net | 192,272 | 204,282 |
| Prepaid expenses | 4,012 | 7,407 |
| Other current assets | 2,917 | 2,917 |
| Total Current Assets | 780,456 | 764,070 |
| Property and Equipment | | |
| Computer and software | 26,492 | 25,592 |
| Furniture | 2,550 | 2,550 |
| | 29,042 | 28,142 |
| Less accumulated depreciation | (22,409) | (19,889) |
| Total Property and Equipment | 6,633 | 8,253 |
| Total Assets | $ 787,089 | $ 772,323 |
| **Liabilities and Net Assets** | | |
| Current Liabilities | | |
| Accounts payable | - | $ 4,080 |
| Accrued liabilities | - | 11,049 |
| Deferred rent | 5,501 | 5,834 |
| Total Current Liabilities | 5,501 | 20,963 |
| Net Assets | | |
| Without donor restrictions | 781,588 | 751,360 |
| Total Net Assets | 781,588 | 751,360 |
| Total Liabilities and Net Assets | $ 787,089 | $ 772,323 |

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

# Child Advocates - Denver CASA
## Statements of Activities
## For the years ended December 31, 2019 and 2018

| | Without Donor Restrictions 2019 | 2018 |
|---|---|---|
| Support and Revenue | | |
| Individuals and corporations | $ 247,244 | $ 480,408 |
| Foundations and community groups | 133,842 | 157,888 |
| Government contracts | 218,435 | 207,604 |
| Fundraising | 248,560 | 246,018 |
| Other income | 1,244 | 107 |
| Net investment income | 10,799 | - |
| In-kind contributions | 14,758 | 21,236 |
| Total Support and Revenue | 874,882 | 1,113,261 |
| Expenses | | |
| Program services | 679,599 | 642,537 |
| Supporting services: | | |
| Management and general | 45,868 | 58,274 |
| Fundraising | 119,187 | 116,357 |
| Total Expenses | 844,654 | 817,168 |
| Change in Net Assets | 30,228 | 296,093 |
| Net Assets at Beginning of Year | 751,360 | 455,267 |
| Net Assets at End of Year | $ 781,588 | $ 751,360 |

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

# Child Advocates - Denver CASA
## Statement of Functional Expenses
## December 31, 2019

| | Program Services | Supporting Services: Management and General | Supporting Services: Fund Raising | Total |
|---|---|---|---|---|
| Salaries and related costs | $ 513,931 | $ 25,240 | $ 93,311 | 632,482 |
| Professional fees | - | 14,015 | - | 14,015 |
| Recruitment and training | 5,307 | 154 | 294 | 5,755 |
| Occupancy | 35,660 | 2,390 | 6,524 | 44,574 |
| Telephone | 10,487 | 635 | 1,528 | 12,650 |
| Insurance | 3,873 | 287 | 681 | 4,841 |
| Supplies | 9,811 | 281 | 620 | 10,712 |
| Postage | 364 | 23 | 728 | 1,115 |
| Printing | 2,048 | 185 | 531 | 2,764 |
| Dues and fees | 2,423 | 181 | 426 | 3,030 |
| Equipment costs | 4,925 | 388 | 843 | 6,157 |
| Special events and projects | 74,159 | 43 | 1,506 | 75,708 |
| Depreciation | 2,015 | 126 | 378 | 2,519 |
| Other expenses | 14,596 | 1,919 | 11,817 | 28,332 |
| | $ 679,599 | $ 45,868 | $ 119,187 | $ 844,654 |

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

# Child Advocates - Denver CASA
## Statement of Functional Expenses
## December 31, 2018

| | Program Services | Supporting Services: Management and General | Supporting Services: Fund Raising | Total |
|---|---|---|---|---|
| Salaries and related costs | $ 473,555 | $ 39,052 | $ 85,520 | $ 598,127 |
| Professional fees | 1,113 | 14,770 | 210 | 16,093 |
| Recruitment and training | 8,981 | 87 | 365 | 9,433 |
| Occupancy | 35,499 | 2,218 | 6,656 | 44,373 |
| Telephone | 10,221 | 529 | 1,588 | 12,338 |
| Insurance | 4,004 | 250 | 751 | 5,005 |
| Supplies | 9,861 | 264 | 785 | 10,910 |
| Postage | 590 | 37 | 211 | 838 |
| Printing | 855 | 53 | 160 | 1,068 |
| Dues and fees | 5,886 | 228 | 2,192 | 8,306 |
| Equipment costs | 5,104 | (169) | 957 | 5,892 |
| Special events and projects | 66,416 | - | 7,037 | 73,453 |
| Depreciation | 1,520 | 95 | 285 | 1,900 |
| Other expenses | 18,932 | 860 | 9,640 | 29,432 |
| | $ 642,537 | $ 58,274 | $ 116,357 | $ 817,168 |

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

# Child Advocates - Denver CASA

## Statements of Cash Flows

## For the Years Ended December 31, 2019 and 2018

| | 2019 | 2018 |
|---|---|---|
| **Cash Flows From Operating Activities** | | |
| Cash received as support | $ 854,687 | $ 885,073 |
| Cash paid to suppliers and employees | 831,424 | 782,749 |
| Net Cash From Operating Activities | 23,263 | 102,324 |
| **Cash Flows From Investing Activities** | | |
| Purchase of property and equipment | (900) | (5,994) |
| Net Cash From Investing Activities | (900) | (5,994) |
| Net Change in Cash | 22,363 | 96,330 |
| **Cash Balance—Beginning of Year** | 499,464 | 403,134 |
| **Cash Balance—End of Year** | $ 521,827 | $ 499,464 |
| **Reconciliation of Excess of Support and Revenue over Expense to Net Cash Provided by Operating Activities** | | |
| Change in net assets | $ 30,228 | $ 296,093 |
| Adjustments to reconcile excess deficiency of support and revenue over expense to net cash provided by operating activities | | |
| Depreciation | 2,519 | 1,900 |
| Change in assets and liabilities | | |
| Change in investments | (9,428) | (50,000) |
| Change in accounts receivable | 12,010 | (156,951) |
| Change in prepaid expenses | 3,395 | 3,531 |
| Change in other current assets | - | - |
| Change in accounts payable & accrued liabilities | (15,130) | 5,584 |
| Change in deferred rent | (331) | 2,167 |
| Change in deferred revenue | - | - |
| Total Adjustments | (6,965) | (193,769) |
| Net Cash From Operating Activities | $ 23,263 | $ 102,324 |

Noncash items in the amount of $14,758 (2019) and $21,236 (2018) of in-kind transactions have been eliminated from the above activity.

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

## 1. Organization

Child Advocates - Denver CASA, (the "Organization") a nonprofit corporation, was incorporated under the laws of the State of Colorado in 1995, and is engaged to represent the best interests of abused and neglected children in Denver Juvenile Court with specially selected and trained community volunteers from diverse cultural and ethnic backgrounds. The Organization is funded primarily through contributions and grants.

## 2. Summary of Significant Accounting Policies

**Basis of Accounting**

The Organization's records are maintained on the accrual basis of accounting in conformity with generally accepted accounting principles as applicable to nonprofit organizations.

**Income Taxes**

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. During 2019 and 2018, the Organization had no unrelated business activities and believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization's federal tax returns (Form 990) for 2019 and 2018 are subject to examination by the IRS, generally for three years after they were filed.

**Revenue Recognition**

The Organization receives contributions and grants from individuals, corporations, foundations, community groups and government organizations. The Organization records income from unrestricted contributions and grants in the period designated by the grantor. Restricted contributions and grants are recognized under the terms of the contract.

Fundraising and other special event revenue are recognized in the period in which the event is held. Other revenue is recognized when earned.

The Organization records income from unrestricted grants in the period designated by the grantor. Restricted grant income is recognized under the terms of the contract.

## 2. Summary of Significant Accounting Policies (continued)

**Property and Equipment**

Property and equipment are stated at cost for purchased items over $1,000 and at fair market value at date of gift for donated items, net of accumulated depreciation.

Depreciation of property and equipment is calculated using the straight-line method over the estimated useful lives of the assets as follows:

| | Life in Years |
|---|---|
| Computers and software | 3-5 |
| Furniture and fixtures | 5 |

**Use of Estimates**

The preparation of 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 financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

**Cash and Cash Equivalents**

The Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

**Net Asset Presentation**

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

Without donor restrictions - Resources not subject to donor-imposed restrictions.

There were no net assets with donor restrictions as of and for the years ended December 31, 2019 and 2018.

**Functional Expense Allocation**

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis. The expenses that are allocated include the following:

## 2. Summary of Significant Accounting Policies (continued)

| Expense | Method of Allocation |
|---|---|
| Salaries and related costs | Time and effort |
| Administrative expenses | Time and effort |
| Professional fees | Time and effort |
| Occupancy | Time and effort |
| Special events and projects | Time and effort |

**New Accounting Pronouncement**

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers, which amended revenue recognition guidance to clarify the principles for recognizing revenue from contracts with customers. The guidance requires an entity to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, qualitative and quantitative disclosures are required about customer contracts, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. ASU No. 2014-09 is effective for annual reporting in fiscal years beginning after December 15, 2018. There was no material impact to the financial statements as a result of implementing this standard as of January 1, 2019.

**Recently Issued Accounting Pronouncements**

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). The new standard establishes a right-of-use ("ROU") model that requires a lessee to record an ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2019 (fiscal 2021 for the Foundation). A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Organization is currently evaluating the impact of the pending adoption of this new standard on its financial statements.

## 2. Summary of Significant Accounting Policies (continued)

**Reclassification**

Certain prior year amounts have been reclassified to conform to the current year's presentation. Net income was not impacted by the reclassifications.

**Subsequent Events**

The Organization has evaluated subsequent events through March 31, 2020, the date which the financial statements were available to be issued. During this period, the Organization was not aware of any material recognizable subsequent events.

## 3. Availability and Liquidity

The following represents Child Advocates - Denver CASA financial assets at December 31, 2019:

| | **2019** |
|---|---|
| Financial assets at period end: | |
| Cash | $ 521,827 |
| Accounts Receivable | 251,700 |
| Total financial assets | $ 773,527 |
| | |
| Financial assets available to meet general expenditures over the next twelve months | $ 773,527 |

As part of the Organization's liquidity management plan, they maintain current assets over current liabilities and acquire no long-term debt, as well as budget for annual expenses and revenues.

## 4. Related Parties

Board members and employees participated in various volunteer and fundraising activities. In addition, board members and employees contributed financially to the Organization in 2019 and 2018. Cash contributions without donor restrictions of $50,156 and $70,248 were made by these individuals for the years ended December 31, 2019 and 2018, respectively.

In 2019 and 2018, the Organization received $114,438 and $118,723, respectively, in funds for operations from Colorado CASA, an affiliated organization.

### 4. Related Parties (continued)

The Organization also received funds for operations from National CASA in the amounts of $1,118 and $1,416 in 2019 and 2018, respectively.

As of December 31, 2019 and 2018, there were no amounts due to or due from related parties.

### 5. Commitments

The Organization entered into an office space lease agreement and began occupying the space at Clarkson Street on May 1, 2017. The lease agreement requires monthly rent payments beginning on May 1, 2017 of $2,917 through April 31, 2018; $3,333 through April 31, 2019; $3,438 through April 31, 2020; $3,542 through April 31, 2021; and $3,646 through April 31, 2022. The rent expense for this lease is being recorded on a straight-line basis, beginning in December 2017, in accordance with ASC guidance.

The Organization also leases a copier under an operating lease. The Organization entered into a copier lease on March 1, 2018 (reflected in the table below). Equipment lease expenses recorded for the years ended December 31, 2019 and 2018, respectively, were $5,148 and $5,148. Minimum future annual lease payments for office space and copier are:

| For the year ended December 31, | |
|---|---|
| 2020 | 47,231 |
| 2021 | 48,481 |
| 2022 | 16,299 |
| Total | $ 112,012 |

### 6. Employee Benefit Plan

All year-round employees are eligible to participate in a 403(b) employee benefit program. Employees may contribute up to $19,000 annually into the plan. Employees who are age 50 and over at the end of the calendar year can make catch-up contributions of $6,000 beyond the basic limit. Employees are fully vested upon participation in the program. The Organization does not contribute to the employee benefit plan.

## 7. In-Kind Contributions

The Organization receives donated goods and services in substantial amounts in furtherance of various programs. These items are recorded in the financial records as they relate to ongoing activities of the Organization and an objective value can be assigned. For the years ended December 31, 2019 and 2018, $14,758 and $21,236, respectively, in professional services and other items had been donated to the organization.

## 8. Investments and Fair Value Measurements

The Organization invested funds in The Catalyst for CASA Fund, managed by The Denver Foundation, as of May 31, 2018. The money is invested in a mutual fund called The Socially Responsible Investment Pool. No donor restrictions exist with this investment. Annual distributions of 5% of the average balance of the preceding 4 quarter's fair market value of the fund will occur after 5 years since origination (or if the investment reaches $200,000 prior to the 5 years).

Accounting standards for investments provide a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair 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 are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization 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.

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

### 8. Investments and Fair Value Measurements (continued)

Investments are composed of one type of investment, and are carried at fair value as of December 31, 2019 and 2018, respectively, as follows:

| | **2019** | **2018** |
|---|---|---|
| **Level 1** | | |
| Mutual Funds | $59,428 | $50,000 |
| Total Investments | $59,428 | $50,000 |

### 9. Subsequent Events

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Organization operates. It is unknown how long these conditions will last and what the complete financial effect will be to the Organization. Our concentrations due to grantors and contributors make it reasonably possible that we are vulnerable to the risk of a near-term severe impact. Additionally, it is reasonably possible that estimates made in the financial statements may be adversely impacted in the near term as a result of these conditions, including possible credit losses on receivables and investments.