

CASA OF LOS ANGELES
FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

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*(admitted in New York)

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

Board of Directors
CASA of Los Angeles
Monterey Park, California

We have audited the accompanying statements of financial position of CASA of Los Angeles (a non-profit organization) as of June 30, 2012 and 2011, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. 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 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CASA of Los Angeles as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated January 15, 2013 on our consideration of CASA of Los Angeles' internal control over financial reporting; and our report dated January 15, 2013 on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of those reports are 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 internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Lodgen, Lacher, Golditch, Sardi, Saunders & Howard LLP

Encino, California

January 15, 2013

CASA OF LOS ANGELES
STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2012 AND 2011

ASSETS

	June 30,	
	2012	2011
Current assets:		
Cash and cash equivalents	\$ 742,365	\$ 408,647
Grants receivable	230,762	206,559
Prepaid expenses	9,177	6,026
Total current assets	982,304	621,232
Furniture and equipment, net of accumulated depreciation of \$54,149 and \$52,915, respectively	38,280	-
	\$ 1,020,584	\$ 621,232

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable and accrued expenses	\$ 121,726	\$ 97,089
Accrued vacation	24,084	35,372
Total current liabilities	145,810	132,461
Net assets:		
Unrestricted	457,184	391,955
Temporarily restricted	417,590	96,816
	874,774	488,771
	\$ 1,020,584	\$ 621,232

CASA OF LOS ANGELES

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

YEARS ENDED JUNE 30, 2012 AND 2011

	June 30, 2012			June 30, 2011		
	Unrestricted	Temporarily restricted	Total	Unrestricted	Temporarily restricted	Total
Support and revenue:						
Support:						
Contributions, individuals	\$ 467,708	\$ -	\$ 467,708	\$ 202,359	\$ 19,183	\$ 221,542
Contributions, foundations	392,932	657,850	1,050,782	575,566	5,000	580,566
Contributions, corporations	53,240	-	53,240	36,323	10,750	47,073
Grants, government	789,113	-	789,113	855,723	-	855,723
Donated rent	32,200	-	32,200	32,200	-	32,200
Special events, net of expenses of \$20,186 and \$16,071, respectively	35,428	17,500	52,928	18,859	-	18,859
Total support	<u>1,770,621</u>	<u>675,350</u>	<u>2,445,971</u>	<u>1,721,030</u>	<u>34,933</u>	<u>1,755,963</u>
Revenue:						
Interest income	-	-	-	963	-	963
Other income	678	-	678	10,870	-	10,870
Total revenue	<u>678</u>	<u>-</u>	<u>678</u>	<u>11,833</u>	<u>-</u>	<u>11,833</u>
Net assets released from restrictions:						
Satisfaction of program restrictions	<u>354,576</u>	<u>(354,576)</u>	<u>-</u>	<u>70,218</u>	<u>(70,218)</u>	<u>-</u>
Total support and revenue	<u>2,125,875</u>	<u>320,774</u>	<u>2,446,649</u>	<u>1,803,081</u>	<u>(35,285)</u>	<u>1,767,796</u>
Expenses:						
Program services	1,269,157	-	1,269,157	1,146,970	-	1,146,970
Management and general	393,993	-	393,993	278,219	-	278,219
Fundraising	397,496	-	397,496	245,087	-	245,087
Total expenses	<u>2,060,646</u>	<u>-</u>	<u>2,060,646</u>	<u>1,670,276</u>	<u>-</u>	<u>1,670,276</u>
Change in net assets	65,229	320,774	386,003	132,805	(35,285)	97,520
Net assets, beginning of year	<u>391,955</u>	<u>96,816</u>	<u>488,771</u>	<u>259,150</u>	<u>132,101</u>	<u>391,251</u>
Net assets, end of year	<u>\$ 457,184</u>	<u>\$ 417,590</u>	<u>\$ 874,774</u>	<u>\$ 391,955</u>	<u>\$ 96,816</u>	<u>\$ 488,771</u>

CASA OF LOS ANGELES

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2012

WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2011

	June 30, 2012			June 30, 2011	
	Program services	Management and general	Fundraising	Total	Total
Salaries	\$ 750,301	\$ 138,578	\$ 178,407	\$ 1,067,286	\$ 900,988
Payroll taxes	64,478	11,909	15,331	91,718	69,552
Health insurance	-	-	-	-	52,430
Other benefits	40,216	7,428	9,563	57,207	9,198
Total salaries and benefits	<u>854,995</u>	<u>157,915</u>	<u>203,301</u>	<u>1,216,211</u>	<u>1,032,168</u>
Americorp staff	16,245	1,345	1,732	19,322	48,000
Background checks	197	98	-	295	-
Bank charges	630	581	4,704	5,915	5,021
Board and committee meetings	3,790	11,967	882	16,639	4,248
Children support	7,850	71	90	8,011	9,147
Conferences and training	1,444	(3)	116	1,557	15,061
Development	-	-	-	-	2,625
Dues and subscriptions	1,682	484	341	2,507	2,614
Insurance	3,482	4,010	828	8,320	10,764
Interest	-	264	-	264	-
Mileage reimbursement	3,277	271	268	3,816	-
Miscellaneous	1,699	1,812	306	3,817	2,962
Payroll processing fees	603	2,574	143	3,320	3,636
Postage	3,699	760	1,507	5,966	17,001
Printing	5,006	1,480	2,924	9,410	3,079
Program expense other	341	-	-	341	-
Program stipends	8,000	-	-	8,000	9,000
Publicity and volunteer recruitment	21,184	3,650	57,883	82,717	52,443
Professional services	229,228	190,692	100,809	520,729	284,747
Rent (donated)	22,637	4,180	5,383	32,200	32,200
Rent and storage	8,464	839	1,080	10,383	19,904
Repairs and maintenance	-	64	-	64	4,993
Small equipment	633	55	71	759	-
Supplies	15,226	2,907	3,619	21,752	30,894
Taxes and licenses	-	53	-	53	-
Telecommunications and computer support	15,876	3,491	7,485	26,852	10,920
Training	15,017	2,186	1,624	18,827	-
Travel	14,333	1,468	1,397	17,198	61,691
Volunteer recognition	12,751	619	797	14,167	6,827
Total other expenses	<u>413,294</u>	<u>235,918</u>	<u>193,989</u>	<u>843,201</u>	<u>637,777</u>
Total expenses before depreciation	1,268,289	393,833	397,290	2,059,412	1,669,945
Depreciation	<u>868</u>	<u>160</u>	<u>206</u>	<u>1,234</u>	<u>331</u>
Total expenses	<u>\$ 1,269,157</u>	<u>\$ 393,993</u>	<u>\$ 397,496</u>	<u>\$ 2,060,646</u>	<u>\$ 1,670,276</u>

CASA OF LOS ANGELES

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2012 AND 2011

	June 30,	
	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Support and revenue:		
Contributions, individuals	\$ 467,708	\$ 221,542
Contributions, foundations	900,782	580,566
Contributions, corporations	53,240	47,073
Grants, government	914,910	708,277
Special events	52,928	18,859
Interest income	-	963
Other income	678	10,870
	<u>2,390,246</u>	<u>1,588,150</u>
Expenses:		
Program services	1,238,483	1,077,358
Management and general	388,327	264,429
Fundraising	390,204	231,098
	<u>2,017,014</u>	<u>1,572,885</u>
Net cash provided by operating activities	<u>373,232</u>	<u>15,265</u>
Cash flows from investing activities:		
Acquisition of fixed assets	<u>(39,514)</u>	<u>-</u>
Net increase in cash	333,718	15,265
Cash and cash equivalents, beginning of year	<u>408,647</u>	<u>393,382</u>
Cash and cash equivalents, end of year	<u><u>\$ 742,365</u></u>	<u><u>\$ 408,647</u></u>

CASA OF LOS ANGELES

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2012 AND 2011

(Continued)

	June 30,	
	<u>2012</u>	<u>2011</u>
Reconciliation of change in net assets to cash flows from operating activities:		
Change in net assets	\$ 386,003	\$ 97,520
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,234	331
Change in grants receivable	(24,203)	(147,446)
Change in prepaid expenses	(3,151)	2,554
Change in accounts payable and accrued expenses	24,637	42,400
Change in accrued vacation	(11,288)	19,906
Net cash provided by operating activities	<u>\$ 373,232</u>	<u>\$ 15,265</u>
Non-cash transactions:		
Donated rent	<u>\$ 32,200</u>	<u>\$ 32,200</u>

CASA OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012 and 2011

1. Nature of activities:

CASA of Los Angeles, formerly known as Friends of Child Advocates (“CASA/LA” or the “Organization”), was established in 1983 as the fundraising arm to the Child Advocates program launched in 1978 by the Los Angeles Superior Court. This public-private partnership was one of the first five CASA programs in the nation with the mission of improving the lives of children in foster care. Today CASA/LA operates independently as an entirely private, not-for-profit organization fully funded by community donations, its advocacy work made possible by hundreds of Court Appointed Special Advocate (CASA) volunteers supported by a small professional staff.

CASA/LA mobilizes community volunteers to advocate for abused and neglected children caught in the foster care system. A Court Appointed Special Advocate (CASA) is a volunteer appointed by a dependency court judge to represent and advocate for the best interests of an individual foster child. CASA volunteers work to deeply understand a child's situation and represent their best interests to the professional group assigned to the child's case. CASAs assist judges by gathering information about the welfare and needs of assigned children, communicating the children's best interests to the court, and following up to assure that court orders are met. In an ever-changing world of attorneys, social workers, teachers, therapists, doctors and foster parents, a CASA volunteer is often the only constant adult anchor and role model for the foster child. The impact of the program has been such that in 2009 a California Blue Ribbon Commission on Children in Foster Care recommended that every child in foster care be assigned a CASA. CASA/LA's vision is a Los Angeles in which every foster child has an advocate and the opportunity to thrive.

2. Summary of significant accounting policies:

Funding:

CASA/LA raises funds through contributions and grants from foundations, corporations, governmental agencies, and individual donors, and through special fundraising events in the Southern California area.

Financial statement presentation:

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organization did not have any permanently restricted net assets at June 30, 2012 and 2011.

CASA OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012 and 2011

(Continued)

2. Summary of significant accounting policies (continued):

Contributions and grants:

Contributions and grants received are recorded as restricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Conditional contributions and grants are recorded as support in the period the condition is met. Such contributions are required to be reported as temporarily restricted support and are then reclassified to unrestricted net assets upon expiration of the restriction, usually when the funds are spent. Contributions and grants that are restricted are reported as increases in unrestricted net assets if the restrictions expire in the reporting period in which the revenue is recognized.

The Organization uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. There was no allowance as of June 30, 2012 and 2011.

Occasionally, the County of Los Angeles receives juror fees donated by jurors who specify that these funds be contributed to CASA/LA. When received by CASA/LA, these funds are recorded as unrestricted income. This recording method is used because CASA/LA does not have an objective way to assess how much it is entitled to or when it will receive the funds prior to actually receiving the donations. Juror fees received during the years ended June 30, 2012 and 2011 totaled \$63,063 and \$42,857, respectively, and are included in individual contributions in the statements of activities and changes in net assets.

Donated services and materials:

The CASA/LA facility is located in the Los Angeles County Children's court. The facility, including the use of utilities and telephone, is provided by the State of California. The value of significant donated services and materials is reflected in the accompanying financial statements if an objective basis is available to measure the fair value of such services at the date of donation. For both years ended June 30, 2012 and 2011, the only donated services recognized are facility rentals from the State of California for \$32,200.

The Organization's program services rely upon the extensive use of volunteer time. Although no amounts have been reflected in the financial statements, management estimates the fair value of those services to be approximately \$2,232,000 for the year ended June 30, 2012, consisting of \$2,143,000 for volunteer advocates and \$89,000 for shelter care/court assistant volunteers. The fair value of services for the year ended June 30, 2011 amounted to \$1,269,000. This has been calculated using the Independent Sector Volunteer Rate of \$24.18 and \$23.42 per hour for the years ended June 30, 2012 and 2011, respectively.

CASA OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012 and 2011

(Continued)

2. Summary of significant accounting policies (continued):

Donated services and material (continued):

During the years ended June 30, 2012 and 2011, many individuals volunteered their time and performed a variety of tasks for the Organization's fundraising events. These services do not meet the criteria for recognition as donated services in accordance with applicable accounting standards.

Estimates:

The preparation of financial statements in accordance 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, disclosure of contingent assets and liabilities, and the reported amounts of revenue and expenses. Actual results could differ from those estimates.

Cash and cash equivalents:

For the purpose of the statement of cash flows, the Organization considers certificates of deposit with original maturities of three months or less to be cash equivalents.

Furniture and equipment:

Furniture and equipment are stated at cost (or fair value if contributed), less accumulated depreciation. For financial reporting purposes, depreciation is provided using the straight-line method over the estimated useful lives of three to five years. For the years ended June 30, 2012 and 2011, depreciation expense amounted to \$1,234 and \$331, respectively. Management's policy is to capitalize furniture and equipment over \$1,000 and to expense items under \$1,000.

Functional expenses:

The Organization allocates its expenses on a functional basis among its program and support services. Expenses that can be identified with a specific program or support service are allocated directly. Expenses that are common to several functions are allocated to the appropriate function.

Income taxes:

Under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code, the Organization is exempt from income taxes. In addition, under Section 509(a) of the Internal Revenue Code, the Organization is not a private foundation.

The Organization follows accounting guidance with respect to how uncertain tax positions should be recognized, measured, presented and disclosed in the financial statements. As of June 30, 2012, management has reviewed all open tax years and jurisdictions and concluded the accounting guidance resulted in no impact to the Organization's financial position or results of operations. The Organization's open audit periods are fiscal tax years ending June 30, 2009 through June 30, 2012 for federal annual information returns, and June 30, 2008 through June 30, 2012 for state annual information returns.

CASA OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012 and 2011

(Continued)

3. Concentration of credit risk:

The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. At June 30, 2012 and 2011, there were no amounts on deposit in excess of FDIC limits.

4. Furniture and equipment:

Furniture and equipment consisted of the following at June 30, 2012 and 2011:

	<u>June 30,</u>	
	<u>2012</u>	<u>2011</u>
Computer equipment	\$ 44,456	\$ 4,942
Project equipment, lights	<u>47,973</u>	<u>47,973</u>
	92,429	52,915
Less: accumulated depreciation	<u>54,149</u>	<u>52,915</u>
Total	<u>\$ 38,280</u>	<u>\$ -</u>

5. Defined contribution plan:

The employees of the Organization are covered by a retirement plan sponsored by the Teachers Insurance and Annuity Association and College Retirement Equities Fund (TIAA-CREF). Benefits are provided by individual insurance contracts issued by TIAA-CREF. Upon commencement of employment, participants can elect to defer a portion of their salary subject to the maximum exclusion determined by the Internal Revenue Code. The Organization does not make any contributions to the plan on behalf of the employees.

CASA OF LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012 and 2011

(Continued)

6. Temporarily restricted net assets:

Temporarily restricted net assets at June 30, 2012 and 2011 were available for the following purposes:

	<u>June 30</u>	
	<u>2012</u>	<u>2011</u>
Dillon's Special Needs Fund	\$ 61,955	\$ 67,954
Glamour Gowns	26,176	28,862
Ahmanson Infrastructure Grant	98,492	-
Parsons volunteer recruitment and training	<u>230,967</u>	<u>-</u>
Total temporarily restricted net assets	<u>\$ 417,590</u>	<u>\$ 96,816</u>

7. Subsequent events:

On September 18, 2012, the Organization entered into a line of credit agreement with a credit limit of \$100,000 and a variable interest rate with an initial annual percentage rate of 5.75%. As of January 15, 2013, there is no outstanding balance on the line of credit.

Subsequent events have been evaluated by management through January 15, 2013, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

CASA OF LOS ANGELES
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2012

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA number</u>	<u>Agency number</u>	<u>Federal expenditures</u>
U.S. Department of Justice:			
Friends of Child Advocates Infant/Toddler Project	16.541		\$ 303,206
Lancaster California Based CASA Program	16.541		196,947
Court Appointed Special Advocates Recruitment for 38 th District	16.541		169,059
Court Appointed Special Advocates Program	16.541		66,556
National Court Appointed Special Advocate Association	16.756		<u>53,345</u>
			<u>\$ 789,113</u>

Note A – Basis of presentation:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of CASA of Los Angeles and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Note B – 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 OMB circular A-122, Cost Principles for Non-Profit Organizations, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

CASA OF LOS ANGELES
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2012

Findings and Questioned Costs – Major Federal Award Program Audit:

Findings – Financial statements audit:

2011-1. Manual employee payroll checks totaling \$22,985 were reported in the Organization's books and records but were not reported to the Organization's payroll service provider and therefore, were not included in quarterly payroll returns or employee wage statements (Form W-2). This resulted in underreporting of payroll to the Internal Revenue Service, the Social Security Administration, and the State of California for the four quarters ended June 30, 2011. The Organization responded by preparing amended payroll returns and employee wage statements.

Current status:

The Organization submitted the amended payroll returns for the four quarters ended June 30, 2011. Also, the organization instituted a process for reconciling each quarter's payroll to ensure that all manual checks are included in a timely fashion.

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BONNIE I. BROWN, C.P.A.*
*(admitted in New York)

INDEPENDENT AUDITOR'S 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

Board of Directors
CASA of Los Angeles
Monterey Park, California

We have audited the financial statements of CASA of Los Angeles (a non-profit organization) as of and for the year ended June 30, 2012, and have issued our report thereon dated January 15, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting:

In planning and performing our audit, we considered CASA of Los Angeles' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of CASA of Los Angeles' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

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 a 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.

Our consideration of the internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting: 2012-1 and 2012-2. 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.

Compliance and Other Matters:

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of 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 Organization's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Organization's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the board of directors, management of CASA of Los Angeles, and the Department of Justice and is not intended to be and should not be used by anyone other than these specific parties.

Lodgen, Lacher, Golditch, Sardi, Saunders & Howard LLP

Encino, California

January 15, 2013

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*(admitted in New York)

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Directors
CASA of Los Angeles
Monterey Park, California

Compliance:

We have audited CASA of Los Angeles's (a non-profit organization) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of CASA of Los Angeles's major federal programs for the year ended June 30, 2011. CASA of Los Angeles's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of CASA of Los Angeles's management. Our responsibility is to express an opinion on CASA of Los Angeles's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 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 CASA of Los Angeles'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. Our audit does not provide a legal determination on CASA of Los Angeles's compliance with those requirements.

As described in item No. 2012-2 in the accompanying schedule of findings and questioned costs, CASA Of Los Angeles did not comply with requirements regarding maintaining adequate records to reflect the actual amount of time each employee charged to the grant for one pay period.

In our opinion, except for the noncompliance described in the preceding paragraph, CASA of Los Angeles complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2012.

Internal Control over Compliance:

The management of CASA of Los Angeles is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered CASA of Los Angeles's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of CASA of Los Angeles's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of CASA of Los Angeles'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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above; however, we consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items No. 2012-1 and No. 2012-2 to be significant deficiencies.

This report is intended solely for the information and use of the Board of Directors, management of CASA of Los Angeles, others within the entity, and the Department of Justice and is not intended to be and should not be used by anyone other than these specified parties.

Lodgen, Lacher, Golditch, Sardi, Saunders & Howard LLP

Encino, California
January 15, 2013

CASA OF LOS ANGELES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012

Summary of Audit Results:

1. The auditor's report expresses an unqualified opinion on the audited financial statements of CASA of Los Angeles.
2. No material weaknesses were identified during the audit of the financial statements.
3. No material weaknesses were identified during the audit of the major federal award programs. However; findings No. 2012-1 and No. 2012-2 relative to the major federal award program for CASA of Los Angeles are reported in this Schedule.
4. The auditor's report on compliance for the major federal award program for CASA of Los Angeles expresses an unqualified opinion.
5. The programs tested as a major program included U.S. Department of Justice, Court Appointed Special Advocates Programs CFDA Numbers 16.541 and 16.756.
6. The threshold for distinguishing Type A and B programs was \$300,000.
7. CASA of Los Angeles did not qualify as a low risk auditee.

CASA OF LOS ANGELES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012

Finding – Major Federal Award Program Audit:

Friends of Child Advocates Infant/Toddler Project, CFDA No. 16.541
Lancaster California Based CASA Program, CFDA No. 16.541

Finding No. 2012-1 Lack of internal control:

Condition: Ten instances of time sheets for personnel did not have evidence of a supervisor's approval

Criteria: In accordance with the guidelines provided in OMB Circular A-122, Cost Principles for Non-Profit Organizations, charges to awards for salaries and wages, will be based on documented payrolls approved by responsible officials of the organization. Therefore, the time sheets for personnel must be signed by employee and approved by supervisor.

Effect of Condition: While there are no known questioned costs associated with this finding, it does show an overall significant deficiency in internal control over payroll processing. Failure to review the employee timesheet may result in the submission of unallowable costs and activities causing noncompliance with federal grant guidelines.

Cause of Condition: The employee signed the timesheet and submitted to their supervisors for review but the supervisors were absent to sign the timesheet.

Recommendation: Develop policies and procedures to ensure supervisors review and sign the timesheets.

Corrective action plan: The Organization developed procedures to ensure that supervisors review and sign the timesheets.

CASA OF LOS ANGELES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012

Finding – Major Federal Award Program Audit:

Friends of Child Advocates Infant/Toddler Project, CFDA No. 16.541
Lancaster California Based CASA Program, CFDA No. 16.541

Finding No. 2012-2 Time allocation:

Condition: Times allocated in the timesheet for the pay period ended September 15, 2011 did not agree with the times allocated in the cash draws for September.

Criteria: In accordance with the guidelines provided in OMB Circular A-122, Cost Principles for Non-Profit Organizations, charges to awards for salaries and wages, will be based on documented payrolls approved by responsible officials of the organization.

Effect of Condition: Failure to properly allocate the time each employee spends on each program may result in the submission of incorrect costs and expenditures causing noncompliance with federal grant guidelines.

Cause of Condition: The wrong data was entered in the schedules for preparation of cash draws.

Recommendation: Develop policies and procedures to ensure that the appropriate personnel review the timesheets and cash draws.

Corrective action plan: The Organization will develop procedures to ensure that the appropriate personnel review the timesheets and cash draws.