

**CALIFORNIA CONGRESS OF
PARENTS, TEACHERS, AND
STUDENTS, INC.**

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT**

**YEARS ENDED
JUNE 30, 2021 AND 2020**

INDEPENDENT AUDITOR'S REPORT

**The Board of Directors
California Congress of Parents, Teachers, and Students, Inc.
Sacramento, California**

We have audited the accompanying financial statements of California Congress of Parents, Teachers, and Students, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2021 and 2020, 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 audits. We conducted our audits 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of California Congress of Parents, Teachers, and Students, Inc. as of June 30, 2021 and 2020, 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.

A handwritten signature in black ink that reads "Gilbert CPAs". The signature is written in a cursive, flowing style.

GILBERT CPAs
Sacramento, California

January 17, 2022

CALIFORNIA CONGRESS OF PARENTS, TEACHERS, AND STUDENTS, INC.

STATEMENTS OF FINANCIAL POSITION JUNE 30, 2021 AND 2020

ASSETS	<u>2021</u>	<u>2020</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,571,672	\$ 1,607,213
Accounts and interest receivable	107,632	95,015
Grants and contributions receivable, current	300,573	
Refundable advance		61,791
Prepaid expenses	500,043	561,842
Inventory	19,867	8,058
Total current assets	<u>2,499,787</u>	<u>2,333,919</u>
NONCURRENT ASSETS:		
Investments	5,852,935	4,801,262
Grants and contributions receivable, net	551,161	
Property and equipment, net	1,746,825	1,819,077
Operating lease right-of-use asset	52,603	71,410
Intangible assets, net	35,599	56,530
Total noncurrent assets	<u>8,239,123</u>	<u>6,748,279</u>
TOTAL ASSETS	<u>\$ 10,738,910</u>	<u>\$ 9,082,198</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 104,356	\$ 105,284
Accrued expenses	103,650	122,154
Deferred revenues	483,359	446,690
Refundable advance		41,531
Operating lease liability, current	19,301	18,807
Total current liabilities	<u>710,666</u>	<u>734,466</u>
NONCURRENT LIABILITIES:		
Operating lease liability, net	<u>33,302</u>	<u>52,603</u>
TOTAL LIABILITIES	<u>743,968</u>	<u>787,069</u>
NET ASSETS:		
Without donor restrictions:		
Board designated	835,958	849,946
Undesignated	8,299,806	7,057,384
Total net assets without donor restrictions	<u>9,135,764</u>	<u>7,907,330</u>
With donor restrictions	859,178	387,799
Total net assets	<u>9,994,942</u>	<u>8,295,129</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 10,738,910</u>	<u>\$ 9,082,198</u>

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

CALIFORNIA CONGRESS OF PARENTS, TEACHERS, AND STUDENTS, INC.

STATEMENTS OF ACTIVITIES (Page 1 of 2) YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS:		
REVENUES:		
Investment income	\$ 1,110,636	\$ 175,398
Insurance income	884,602	889,486
Membership	754,474	1,366,934
Contributions and grants	415,872	109,992
Convention	104,085	6,280
Royalty income	89,677	102,387
Program service fees	67,227	147,899
In-kind contributions	35,173	30,940
Regional training	21,820	10,925
Legislative conference	16,000	28,150
Other income	15,921	18,799
Net assets released from restrictions	411,312	634,380
Total revenues	<u>3,926,799</u>	<u>3,521,570</u>
EXPENSES:		
Program services:		
Insurance	780,184	781,650
Parent and family engagement	550,258	600,579
Membership and training	343,804	445,519
Convention	147,112	160,481
Policy and legislative	58,626	158,439
Other programs	194,753	181,572
Total program services	<u>2,074,737</u>	<u>2,328,240</u>
Supporting services:		
General and administrative	577,239	755,013
Development	76,226	87,824
Total expenses	<u>2,728,202</u>	<u>3,171,077</u>
INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>1,198,597</u>	<u>350,493</u>

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

CALIFORNIA CONGRESS OF PARENTS, TEACHERS, AND STUDENTS, INC.

STATEMENTS OF ACTIVITIES (Page 2 of 2) YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
NET ASSETS WITH DONOR RESTRICTIONS:		
Grants and contributions	841,160	590,000
Paycheck Protection Program grant	41,531	148,654
Net assets released from restrictions	<u>(411,312)</u>	<u>(634,380)</u>
INCREASE IN NET ASSETS WITH DONOR RESTRICTIONS	<u>471,379</u>	<u>104,274</u>
INCREASE IN NET ASSETS	1,669,976	454,767
NET ASSETS, Beginning of Year	8,295,129	7,840,362
CUMMULATIVE EFFECT OF ADOPTION OF NEW ACCOUNTING STANDARD (See Note 2)	<u>29,837</u>	<u> </u>
NET ASSETS, End of Year	<u>\$ 9,994,942</u>	<u>\$ 8,295,129</u>

CALIFORNIA CONGRESS OF PARENTS, TEACHERS, AND STUDENTS, INC.

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED JUNE 30, 2021

	Program Services					Supporting Services			
		Parent and family <u>Insurance</u> <u>engagement</u>	Membership <u>and training</u>	<u>Convention</u>	Policy and <u>legislative</u>	Other <u>programs</u>	General and <u>administrative</u>	<u>Development</u>	<u>Total</u>
Salaries	\$ 27,907	\$ 253,573	\$ 162,269	\$ 76,887	\$ 33,377	\$ 68,762	\$ 355,604	\$ 59,142	\$ 1,037,521
Insurance expense	738,619	4,156	3,050	1,225	380	978	6,483	737	755,628
Outside services	1,154	190,235	46,515	18,291	8,033		11,408		275,636
Employee benefits	2,114	25,623	17,790	6,989	2,681	5,583	42,663	3,876	107,319
Grants, scholarships, and contributions			2,456	4,172		99,578			106,206
Depreciation and amortization	1,593	18,482	32,704	5,435	1,672	4,346	28,768	3,278	96,278
Payroll taxes	1,986	19,618	12,448	6,111	2,439	5,000	27,855	4,363	79,820
Information technology	609	8,654	14,017	12,239	2,846	4,824	17,437	975	61,601
Utilities	1,161	12,627	12,037	4,451	1,945	3,081	22,275	2,207	59,784
Legal and accounting			7,283		248		22,560		30,091
Equipment rental	459	5,326	3,904	1,566	482	1,252	8,367	942	22,298
Printing and publications	2,756	5,529	10,826	582	1,104	2	1,466		22,265
Postage and shipping	793	597	9,433	2,069	45	39	3,051		16,027
Travel	182	506	1,574	960	1,589	330	8,285	24	13,450
Bank charges			546	3,181	391	27	5,942		10,087
Maintenance and repair	189	2,193	1,608	645	198	516	3,413	389	9,151
Office expenses	555	790	2,737	1,771	119	165	2,846	116	9,099
Taxes, licenses, and filing fees	31	364	267	242	33	85	5,503	64	6,589
Small and miscellaneous equipment	54	1,888	456	183	56	146	969	110	3,862
Conferences and meetings			1,710		800		219		2,729
Food and beverages	22	97	174	113	188	39	1,018	3	1,654
Other							1,107		1,107
Total	<u>\$ 780,184</u>	<u>\$ 550,258</u>	<u>\$ 343,804</u>	<u>\$ 147,112</u>	<u>\$ 58,626</u>	<u>\$ 194,753</u>	<u>\$ 577,239</u>	<u>\$ 76,226</u>	<u>\$ 2,728,202</u>

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

CALIFORNIA CONGRESS OF PARENTS, TEACHERS, AND STUDENTS, INC.

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED JUNE 30, 2020

	Program Services					Supporting Services			
	<u>Insurance</u>	<u>Parent and family engagement</u>	<u>Membership and training</u>	<u>Convention</u>	<u>Policy and legislative</u>	<u>Other programs</u>	<u>General and administrative</u>	<u>Development</u>	<u>Total</u>
Salaries	\$ 36,644	\$ 313,744	\$ 178,284	\$ 91,503	\$ 34,015	\$ 93,103	\$ 418,457	\$ 70,572	\$ 1,236,322
Insurance expense	726,183	4,035	2,839	1,173	517	1,115	6,681	577	743,120
Outside services	1,318	95,216	42,091	4,608	6,298	43	9,455		159,029
Employee benefits	2,742	26,891	17,743	7,124	2,407	6,671	39,911	3,824	107,313
Grants, scholarships, and contributions				1,975		51,025			53,000
Depreciation and amortization	1,968	21,781	23,717	5,801	1,251	5,714	31,626	3,175	95,033
Payroll taxes	2,617	24,572	13,697	7,059	2,351	7,432	33,028	4,827	95,583
Information technology	563	11,173	9,219	5,994	1,517	1,724	10,977	908	42,075
Utilities	1,155	14,072	11,454	3,897	1,927	3,669	22,951	1,862	60,987
Legal and accounting			4,480	1,800	1,138		16,760		24,178
Equipment rental	134	1,482	1,613	395	85	389	4,433	216	8,747
Printing and publications	4,298	7,993	21,482	1,311	1,584	851	2,160		39,679
Postage and shipping	970	3,776	14,879	2,451	97	15	2,216		24,404
Travel		35,654	61,719	13,546	65,718	4,730	80,102		261,469
Bank charges			206	2,780	624		4,376		7,986
Maintenance and repair	480	5,121	2,953	1,413	305	1,392	18,710	773	31,147
Office expenses	2,394	12,194	8,801	1,983	720	713	6,175	380	33,360
Taxes, licenses, and filing fees	35	377	217	239	22	103	5,272	57	6,322
Small and miscellaneous equipment	149	1,607	971	449	120	438	2,726	240	6,700
Conferences and meetings		8,101	8,534	1,552	7,917	555	8,083		34,742
Food and beverages		12,695	20,620	3,428	29,826	1,890	26,366	413	95,238
Other		95					4,548		4,643
Total	<u>\$ 781,650</u>	<u>\$ 600,579</u>	<u>\$ 445,519</u>	<u>\$ 160,481</u>	<u>\$ 158,439</u>	<u>\$ 181,572</u>	<u>\$ 755,013</u>	<u>\$ 87,824</u>	<u>\$ 3,171,077</u>

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

CALIFORNIA CONGRESS OF PARENTS, TEACHERS, AND STUDENTS, INC.

STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 1,669,976	\$ 454,767
Reconciliation to net cash provided by (used for) operating activities:		
Cumulative effect of adoption of new accounting standard	29,837	
Depreciation and amortization	96,278	95,033
Loss (gain) on sale and other disposition of assets	1,778	(1,046)
Realized and unrealized gain on investments	(1,082,206)	(134,281)
Reduction in the carrying amount of operating lease right-of-use asset	18,807	6,161
Changes in:		
Accounts and interest receivable	(12,617)	33,358
Grants and contributions receivable	(851,734)	241,330
Refundable advance asset	61,791	(61,791)
Prepaid expenses	61,799	(83,687)
Inventory	(11,809)	(3,048)
Accounts payable	(928)	(354,042)
Accrued expenses	(18,504)	22,193
Deferred revenues	36,669	5,033
Refundable advance liability	(41,531)	41,531
Operating lease liability	(18,807)	(6,161)
Net cash provided by (used for) operating activities	<u>(61,201)</u>	<u>255,350</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(4,873)	(21,697)
Proceeds from sale of equipment		2,510
Purchases of intangible assets		(27,450)
Purchases of investments	(1,295,499)	(1,361,990)
Proceeds from sale of investments	<u>1,326,032</u>	<u>1,045,027</u>
Net cash provided by (used for) investing activities	<u>25,660</u>	<u>(363,600)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(35,541)	(108,250)
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>1,607,213</u>	<u>1,715,463</u>
CASH AND CASH EQUIVALENTS, End of Year	<u>\$ 1,571,672</u>	<u>\$ 1,607,213</u>
SUPPLEMENTAL DISCLOSURES:		
Right-of-use asset acquired through operating lease liability	<u>\$</u>	<u>\$ 77,571</u>
Interest paid on operating lease	<u>\$ 1,632</u>	<u>\$ 652</u>

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

CALIFORNIA CONGRESS OF PARENTS, TEACHERS, AND STUDENTS, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

1. ORGANIZATION

The California Congress of Parents, Teachers, and Students, Inc. (California State PTA), was incorporated as a California nonprofit corporation on May 9, 1923. The California State PTA's mission is to positively impact the lives of all children and families. Through conferences, committees, projects, and programs, the California State PTA promotes the welfare of children and youth in home, school, community, and place of worship; raises the standards of home life; secures adequate laws for the care and protection of children and youth; brings into closer relation the home and the school, that parents and teachers may cooperate intelligently in the education of children and youth; and develops between educators and the general public such united efforts as will secure for all children and youth the highest advantages in physical, mental, social, and spiritual education.

The California State PTA has both a Board of Directors and a Board of Managers which comprise a Governing Board. Constituent organizations of the California State PTA include unit, council and district PTAs with each having its own Governing Board. Accordingly, separate books and records are maintained by each constituent organization and are not combined with the records of the California State PTA. The California State PTA, as a member of the National PTA, collects and remits a portion of the membership dues, as required, to the National PTA.

The California State PTA works to accomplish its mission to positively impact the lives of all children and families by:

- Ensuring all constituent organizations and members are protected by the best possible insurance coverage;
- Fostering parent engagement via School Smarts, an award-winning, research-based parent engagement program;
- Empowering parents and families to advocate for students to have access to learning opportunities in specific areas such as Arts and Science that will support their success;
- Planning and presenting an annual convention for all members;
- Coordinating leadership training and development for PTA officers serving more than 375,000 members;
- Holding periodic training and planning meetings with PTA officers;
- Developing and distributing printed and electronic media to support the development and organization of local PTA units;
- Maintaining a central office to better serve membership needs;
- Providing statewide agency and commission representation in areas of education, safety, health, and parent involvement;
- Monitoring and developing legislation on issues affecting children;

CALIFORNIA CONGRESS OF PARENTS, TEACHERS, AND STUDENTS, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

- Representing children's interests through testimony and presentations;
- Developing and maintaining alliances with other public agencies that share mutual interests regarding children's education, safety, and health;
- Facilitating community outreach to increase awareness of changing ethnic and cultural diversity in our schools and communities;
- Providing scholarships and grants to improve educational opportunities for students, teachers, counselors, nurses, and volunteers from PTA schools; and
- Increasing awareness of issues affecting all children through its website at: www.capta.org.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and financial statement presentation – The financial statements are prepared on the accrual basis of accounting and in conformity with professional standards applicable to not-for-profit entities. The California State PTA reports information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

Revenue recognition – The California State PTA's revenue from contracts with customers consists of membership dues, insurance income, royalty income, convention, legislative conference, regional training, program service fees, and merchandise and award certificate sales.

The California State PTA's membership and insurance policy period are generally one year. Membership dues and insurance income (excluding assessed late charges of \$7,875 for the period ended June 30, 2021, discussed below) are recognized evenly over the membership and insurance policy period as this approximates the period in which the related performance obligations are met. Amounts collected in advance of the membership and insurance policy period, which represent a contract liability, are recorded as deferred revenue until earned. For the year ended June 30, 2021, revenue recognized overtime totaled \$1,631,201.

Insurance income for customers that pay more than \$1,000 for services to those without their own workers' compensation insurance coverage during the policy period, January 5 through January 4, pay a 5% surcharge on the amount in excess of \$1,000. The final surcharge amount earned by the California State PTA for those services is not known until January 31 following the end of each policy year. Insurance income includes an estimate of variable consideration, which is recognized over the policy period. Management estimates the expected value of the variable consideration based on actual amounts received in each of the 5 preceding fiscal years.

Royalty income is recognized in the same period that the underlying sale upon which the royalty is based occurs. Merchandise and award certificate sales revenue are recognized at the point of sale. Assessed late charges on insurance premiums are recognized in the fiscal year the charge is assessed. Convention, legislative conference, regional training, and program service fees are recognized when the related events or activities occur. Amounts received in advance, which represent a contract liability, are recorded as deferred revenues until the related events or activities occur. For the year ended June 30, 2021, revenue recognized at a point in time totaled \$324,383.

CALIFORNIA CONGRESS OF PARENTS, TEACHERS, AND STUDENTS, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

The balances of accounts receivable and contract liabilities from contracts with customers are as follows as of June 30:

	<u>2021</u>	<u>2020</u>
Accounts receivable	\$ 102,255	\$ 89,463
Contract liabilities:		
Deferred insurance	\$ 421,311	\$ 392,312
Deferred program revenue	56,735	48,300
Deferred membership	974	828
Deferred other	4,339	5,250
	<u>\$ 483,359</u>	<u>\$ 446,690</u>

Contributions and grants are recognized in full when received or unconditionally promised, in accordance with professional standards. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. All contributions are considered available for unrestricted use unless specifically restricted by donors for future periods or specific purposes. Donor-restricted amounts are reported as increases in net assets with donor restrictions. Net assets with donor restrictions become unrestricted and are reported in the statements of activities as net assets released from restrictions, when the time restrictions expire, or the contributions are used for the restricted purposes. The California State PTA has no net assets with donor restrictions that are perpetual in nature.

Donated materials, equipment, and professional services are recorded as in-kind contributions and are recognized at the estimated fair value as of the date of donation or service. Contributed services that do not meet the criteria for recognition are not reflected in the financial statements.

Cash and cash equivalents – For financial statement purposes, the California State PTA considers all investments with an initial maturity of three months or less to be cash equivalents.

The California State PTA minimizes credit risk associated with cash by periodically evaluating the credit quality of its primary financial institution. The balance at times may exceed federally insured limits. The California State PTA has not experienced any losses in such accounts and management believes the California State PTA is not exposed to any significant credit risk related to cash. Cash balances in excess of the federally insured limits at June 30, 2021 and 2020 were \$1,089,659 and \$1,170,338, respectively.

Accounts receivable are stated at the amount management expects to collect from outstanding balances and collectible within one year. Management considers accounts receivable to be fully collectible due to the stability of the participants; accordingly, no allowance for doubtful accounts has been recognized. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to bad debt expense.

Investments are stated at fair value and held for long-term purposes.

Inventory is stated at the weighted-average cost and consists of membership envelopes and other membership-related merchandise.

CALIFORNIA CONGRESS OF PARENTS, TEACHERS, AND STUDENTS, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

Property and equipment is stated at cost or, if donated, at the estimated fair market value at the date of donation. The California State PTA capitalizes all expenditures for property and equipment in excess of \$1,000. Depreciation is computed using the straight-line method over estimated useful lives of individual assets ranging from 3 to 39 years.

Intangible assets are stated at cost and amortized using the straight-line method over a period of three years.

Leases – The California State PTA determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use (ROU) assets and lease liabilities in the statements of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term. Operating lease expense is recognized on a straight-line basis over the lease term.

Income taxes – The California State PTA is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code but is subject to income taxes from activities unrelated to its tax-exempt purpose. Net income generated by advertising income is taxable as unrelated business income, however, the California State PTA has applied the accounting principles related to accounting for uncertainty in income taxes and has determined that there is no material impact on the financial statements.

Functional allocation of expenses – The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, which are allocated based on estimated time and effort; employee benefits and payroll taxes, which are allocated based on salaries; general office and occupancy expenses including building and equipment insurance, maintenance and repair, property taxes, depreciation and amortization, information technology, and office supplies, which are allocated based on the number of full-time equivalent employees in each function; board, commission, and committee expenses including food and beverages, information technology, meeting supplies, postage and shipping, printing and publications, travel, and utilities, which are allocated based on the portion of estimated time dedicated to each function during Board of Managers meetings.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Fair value measurements – Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available. For other assets and liabilities, observable market transactions and market information might not be available. However, the objective of a fair value measurement in both cases is the same; to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions (that is, an exit price at the measurement date from the perspective of a market participant

CALIFORNIA CONGRESS OF PARENTS, TEACHERS, AND STUDENTS, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

that holds the asset or owes the liability). In order to increase consistency and comparability in fair value measurements, a fair value hierarchy that prioritizes observable and unobservable inputs is used to measure fair value into three broad levels, as follows:

Level 1 Inputs	Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.
Level 2 Inputs	Inputs other than quoted prices in active markets that are observable either directly or indirectly.
Level 3 Inputs	Unobservable inputs for the assets or liabilities.

Recent accounting pronouncements – In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) 2014-09, *Revenue from Contracts with Customers*, codified under Accounting Standards Codification (ASC) 606. The new accounting standard developed a common standard that removed inconsistencies in revenue requirements, improved comparability of revenue recognition practices, provided more useful information to users of financial statements and simplified the preparation of financial statements. On July 1, 2020, the California State PTA adopted ASC 606 and all the related amendments (“new revenue standard”) for all contracts using the modified retrospective approach. The California State PTA recognized the cumulative effect of initially applying the new revenue standard as an adjustment to the opening balance of net assets. The comparative information has not been restated and continues to be reported under the accounting standards in effect for those periods. The California State PTA does not expect the adoption of the new standard to have a material impact on its net income on an ongoing basis.

The cumulative effect of the adoption of the new revenue standard on July 1, 2020 was an increase in net assets without donor restrictions of \$29,837, representing timing differences in recognizing the variable consideration of Workers’ Compensation Insurance Premium surcharge revenue.

The impact of the new revenue standard for the year ended June 30, 2021 is as follows:

	<u>As Reported</u>	<u>Balances without Adoption of ASC 606</u>	<u>Effect of Change</u>
Workers’ compensation surcharge receivable	\$ 33,268	\$ -	\$ 33,268
Net assets without donor restrictions	9,135,764	9,102,496	33,268
Insurance income	884,602	881,171	3,431
Change in net assets without donor restrictions	1,198,597	1,195,166	3,431
Cumulative effect of adoption of new accounting standard	29,837		29,837

Subsequent events have been reviewed through January 17, 2022, the date the financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2021 that require recognition or disclosure in the financial statements.

Reclassification – Certain 2020 amounts have been reclassified to conform with 2021 financial statement presentation.

CALIFORNIA CONGRESS OF PARENTS, TEACHERS, AND STUDENTS, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

3. LIQUIDITY AND AVAILABILITY OF RESOURCES

The California State PTA's financial assets available within one year of the statement of financial position date for general expenditure are as follows, as of June 30:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 1,571,672	\$ 1,607,213
Investments	5,852,935	4,801,262
Accounts and interest receivable	107,632	95,015
Grants and contributions receivable	851,734	
Total financial assets available	<u>8,383,973</u>	<u>6,503,490</u>
Less:		
Amounts unavailable for general expenditures within one year, due to:		
Board designated funds	(835,958)	(849,946)
Restricted by donors for time or purpose	<u>(859,178)</u>	<u>(387,799)</u>
Total financial assets available for general expenditure within one year	<u>\$ 6,688,837</u>	<u>\$ 5,265,745</u>

Management's goal is to maintain cash and cash equivalents sufficient to cover at least 30 days of operations in its operating accounts. A board-designated operating reserve fund is maintained in cash and cash equivalents sufficient to cover approximately 45 days of operations to temporarily fill cash flow funding gaps resulting from timing differences between inflow and outflow or sudden unanticipated increases in expenses or decreases in revenue upon approval by the Board of Directors. Financial assets available for general expenditure are sufficient to cover at least one year of operations if necessary. Although available for general expenditure, certain amounts, such as funds held in investment accounts, would require approval by the Board of Directors to use for general expenditures.

4. ACCOUNTS AND INTEREST RECEIVABLE

Accounts and interest receivable are expected to be received within one year and consist of the following as of June 30:

	<u>2021</u>	<u>2020</u>
Royalties and sales of inventory receivable	\$ 51,880	\$ 36,418
Workers' compensation surcharge	33,268	
Interest receivable	5,377	5,552
Program service fees receivable	2,287	32,024
Sponsorships receivable		5,000
Membership dues receivable		2,197
Other receivables	<u>14,820</u>	<u>13,824</u>
Total	<u>\$ 107,632</u>	<u>\$ 95,015</u>

CALIFORNIA CONGRESS OF PARENTS, TEACHERS, AND STUDENTS, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

5. GRANTS AND CONTRIBUTIONS RECEIVABLE

The California State PTA recognizes grants and contributions receivable at their estimated fair value at the time the pledge is made. Fair value is determined by calculating the net present value of the estimated future cash flows. The discount rates used in determining the net present value of grants and contributions receivable ranged from 2.75% to 3.25% at June 30, 2021. The California State PTA considers all grants and contributions receivable at June 30, 2021 to be fully collectable; accordingly, no allowance for doubtful accounts is considered necessary.

Grants and contributions receivable consist of the following as of June 30, 2021:

Gross grants and contributions receivable	\$ 880,573
Less: Unamortized discount	<u>(28,839)</u>
Grants and contributions receivable, net	<u>\$ 851,734</u>

Grants and contributions receivable are due to be collected as follows as of June 30, 2021:

Within one year	\$ 300,573
In one to five years	<u>551,161</u>
Grants and contributions receivable, net	<u>\$ 851,734</u>

The California State PTA grants and contributions receivable include grants and contributions from four organizations at June 30, 2021.

6. PREPAID EXPENSES

Prepaid expenses consist of the following as of June 30:

	<u>2021</u>	<u>2020</u>
Prepaid insurance	\$ 388,021	\$ 380,060
School Smarts prepaid expenses	62,423	62,278
Convention deposits	12,500	37,607
Other prepaid expenses	<u>37,099</u>	<u>81,897</u>
Total	<u>\$ 500,043</u>	<u>\$ 561,842</u>

7. CONDITIONAL PROMISES TO GIVE

In 2018, the California State PTA received an \$825,000 conditional promise to give from a grantor. The California State PTA was required to meet certain requirements as a condition (or barrier) of this promise to give. In accordance with professional standards, during 2020 the California State PTA received and recognized \$275,000, as conditions were met. In addition, the California State PTA received and recognized an additional \$275,000 that was meant for the subsequent fiscal year as the grantor waived the conditions required in order to receive the funds during 2020 due to the COVID-19 pandemic. The entire balance of this grant was recognized in full as of June 30, 2020.

CALIFORNIA CONGRESS OF PARENTS, TEACHERS, AND STUDENTS, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

8. INVESTMENTS

Investment income consists of the following:

	<u>2021</u>	<u>2020</u>
Interest and dividends	\$ 83,242	\$ 88,059
Unrealized and realized gains	1,082,206	134,281
Management fees	(48,648)	(42,826)
Internal administrative expenses	<u>(6,164)</u>	<u>(4,116)</u>
Total	<u>\$ 1,110,636</u>	<u>\$ 175,398</u>

Investments are classified as follows as of June 30, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Certificates of deposit:			
Liquid certificates of deposit	\$ 150,445		\$ 150,445
Mutual funds:			
Fixed income funds	678,634		678,634
Exchange-traded and closed-end funds:			
Index funds	1,683,480		1,683,480
Corporate bonds:			
AAA credit rating		\$ 37,016	37,016
AA- credit rating		16,205	16,205
A+ credit rating		108,378	108,378
A credit rating		167,122	167,122
A- credit rating		96,097	96,097
BBB+ credit rating		49,124	49,124
Government securities:			
Treasury securities		587,417	587,417
Federal agency securities		171,302	171,302
Common stocks:			
Information technology	486,847		486,847
Consumer discretionary	347,909		347,909
Industrials	322,163		322,163
Financials	241,126		241,126
Health care	211,718		211,718
Communication services	209,867		209,867
Consumer staples	84,931		84,931
Materials	80,124		80,124
Energy	51,288		51,288
Utilities	38,394		38,394
Real estate	<u>33,348</u>		<u>33,348</u>
Total	<u>\$ 4,620,274</u>	<u>\$ 1,232,661</u>	<u>\$ 5,852,935</u>

CALIFORNIA CONGRESS OF PARENTS, TEACHERS, AND STUDENTS, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

Investments are classified as follows as of June 30, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Certificates of deposit:			
Liquid certificates of deposit	\$ 200,111		\$ 200,111
Mutual funds:			
Fixed income funds	573,843		573,843
Exchange-traded and closed-end funds:			
Index funds	1,311,472		1,311,472
Corporate bonds:			
AAA credit rating		\$ 37,703	37,703
AA- credit rating		41,781	41,781
A+ credit rating		120,547	120,547
A credit rating		147,237	147,237
A- credit rating		68,132	68,132
Government securities:			
Treasury securities		539,457	539,457
Federal agency securities		20,300	20,300
Common stocks:			
Information technology	416,693		416,693
Consumer discretionary	239,391		239,391
Industrials	212,870		212,870
Financials	194,322		194,322
Health care	256,173		256,173
Communication services	180,983		180,983
Consumer staples	90,535		90,535
Materials	59,914		59,914
Energy	25,963		25,963
Utilities	36,702		36,702
Real estate	27,133		27,133
	<u>\$ 3,826,105</u>	<u>\$ 975,157</u>	<u>\$ 4,801,262</u>
Total			

The California State PTA's mutual funds, exchange-traded and closed-end funds, and common stocks are classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices in active markets for identical assets. Government securities and corporate bonds are classified within Level 2 of the fair value hierarchy because they are valued using alternative pricing methods using observable information inputs, such as current interest rates.

CALIFORNIA CONGRESS OF PARENTS, TEACHERS, AND STUDENTS, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

9. PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of June 30:

	<u>2021</u>	<u>2020</u>
Buildings and improvements	\$ 2,134,926	\$ 2,134,926
Land	490,000	490,000
Equipment	143,107	139,353
Furniture and fixtures	92,935	92,935
Land improvements	65,415	65,415
Total	<u>2,926,383</u>	<u>2,922,629</u>
Less accumulated depreciation	<u>(1,179,558)</u>	<u>(1,103,552)</u>
Property and equipment, net	<u>\$ 1,746,825</u>	<u>\$ 1,819,077</u>

10. INTANGIBLE ASSETS

Intangible assets consist of the following as of June 30:

	<u>2021</u>	<u>2020</u>
Database development	\$ 316,142	\$ 316,142
Website	68,450	68,450
Trademarks	16,575	18,353
Total	<u>401,167</u>	<u>402,945</u>
Less accumulated amortization	<u>(365,568)</u>	<u>(346,415)</u>
Intangible assets, net	<u>\$ 35,599</u>	<u>\$ 56,530</u>

Amortization totaled \$19,153 and \$13,202 in 2021 and 2020, respectively.

11. LEASING ARRANGEMENTS

In February 2020, The California State PTA entered into an operating lease agreement to lease copiers from Ricoh USA, Inc. for a term of four years, expiring in February 2024. The right-of-use (ROU) assets represent the California State PTA's right to use the underlying assets for the lease term, and the lease liabilities represent the obligation to make these lease payments arising from this lease. The ROU assets and liabilities, all of which arise from operating leases, were calculated based on the present value of future lease payments over the lease terms. The California State PTA utilizes their incremental borrowing rate of 2.6% as the discount rate for this operating lease. For the year ended June 30, 2021 and 2020, total operating lease costs were \$20,438 and \$6,813, respectively.

CALIFORNIA CONGRESS OF PARENTS, TEACHERS, AND STUDENTS, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

The following is a schedule of future minimum lease payments required under the above operating lease as of June 30, 2021:

<u>Fiscal year ending June 30,</u>	
2022	\$ 20,438
2023	20,438
2024	<u>13,626</u>
Total lease payments	54,502
Less: Interest	<u>(1,899)</u>
Present value of lease liability	<u>\$ 52,603</u>
Operating lease liability, current	\$ 19,301
Operating lease liability, net	<u>33,302</u>
Total lease liability	<u>\$ 52,603</u>

12. NET ASSETS

Net assets without donor restrictions are designated by the board for the following purposes as of June 30:

	<u>2021</u>	<u>2020</u>
Operating reserves	\$ 451,138	\$ 451,373
Capital asset reserves	251,099	250,166
Scholarships and grants program	<u>133,721</u>	<u>148,407</u>
Total	<u>\$ 835,958</u>	<u>\$ 849,946</u>

Net assets with donor restrictions are restricted for the following purposes as of June 30:

	<u>2021</u>	<u>2020</u>
School Smarts Program and Parents for the Arts Network	\$ 841,160	\$ 347,804
Digital literacy	18,018	37,355
Next generation science standards	<u> </u>	<u>2,640</u>
Total	<u>\$ 859,178</u>	<u>\$ 387,799</u>

13. PAYCHECK PROTECTION PROGRAM LOAN

On May 6, 2020, the California State PTA received a Paycheck Protection Program (PPP) loan under the Federal Coronavirus Aid, Relief, and Economic Security (CARES) Act totaling \$190,185. The terms and repayment conditions of PPP loans were modified through the subsequent Paycheck Protection Program Flexibility Act (PPFPA) signed into law in June 2020. Under the CARES Act, as modified by PPFPA, a portion or all of the loan and accrued interest may be forgiven provided the

CALIFORNIA CONGRESS OF PARENTS, TEACHERS, AND STUDENTS, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

funds are spent on qualifying payroll and other expenditures in the 24-week period following the loan and provided certain other criteria regarding full-time equivalent employee and payroll levels are maintained.

The California State PTA has accounted for the loan as a conditional contribution in accordance with professional standards for revenue recognition for not-for profit entities. During the years ended June 30, 2021 and 2020, the California State PTA recognized \$41,531 and \$148,654 and, respectively, as contribution revenue, representing the portion of the loan for which it had met the criteria for forgiveness through incurring qualifying expenses.

The California State PTA received notification that its application for loan forgiveness was approved on August 6, 2021.

14. IN-KIND CONTRIBUTIONS

California State PTA received the following in-kind contributions for the years ended June 30:

	<u>2021</u>	<u>2020</u>
Professional services	\$ 31,875	\$ 26,775
Tangible goods	3,283	1,825
Unreimbursed expenses of board and staff	<u>15</u>	<u>2,340</u>
Total	<u>\$ 35,173</u>	<u>\$ 30,940</u>

15. EMPLOYEE BENEFITS PLAN

The California State PTA has a 401(k) retirement plan that provides a matching contribution not to exceed 3% of the contributing participant's compensation. Permanent employees are eligible for participation after twelve months of employment. Employer contributions to the plan totaled \$18,165 and \$15,239 in 2021 and 2020, respectively.

The California State PTA has a 457 retirement plan for the Executive Director. No employer contributions are made to the plan.

The California State PTA has a 403(b) retirement plan. No employer contributions were made to the plan in 2021 and 2020.

16. RISK AND UNCERTAINTIES

Early in March 2020, the COVID-19 virus was declared a global pandemic and caused the prolonged closure of school campuses and restrictions on travel, meetings, and events throughout the State of California. These conditions contributed to an unfavorable financial impact on California State PTA membership dues and its School Smarts program. Conversely, these conditions yielded favorable financial impacts in terms of savings on travel, meetings, and events that would have otherwise occurred.

CALIFORNIA CONGRESS OF PARENTS, TEACHERS, AND STUDENTS, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

Membership dues, which are California State PTA's core source of revenue, generally originate from Unit PTAs connected with a particular school and are concentrated heavily in the fall. Accordingly, the pandemic had less of an impact on membership dues in the year ended June 30, 2020, because it occurred later in the fiscal year when a relatively small portion of membership dues are received. However, as the pandemic persisted membership dues fell by a significant and unprecedented amount, almost 45%, in the year ended June 30, 2021. With the pandemic lingering into the fall of 2021, it is likely to limit California State PTA's ability to recover. The extent to which California State PTA can rebound is uncertain at this time. California State PTA's Board of Directors and Management have prepared for a limited recovery and continue to carefully monitor membership levels.

California State PTA's School Smarts parent engagement program was designed to be conducted through in-person meetings, trainings, and events. Accordingly, revenue and net income from the program was negatively impacted due to school closures and restrictions on travel and meetings related to the pandemic. A virtual option was designed and made available as an alternative to in-person meetings, trainings, and events, during the year ended June 30, 2021. However, demand for the virtual program did not replace demand for the in-person program. With the pandemic lingering into the fall of 2021, it is uncertain to what extent demand will recover and how the financial impact of the pandemic on school districts, who are the program's primary customers, will affect demand. California State PTA's Board of Directors and Management have prepared for a limited recovery.

Historically, California State PTA incurs significant expenses related to in-person meetings and events. As a result of the pandemic, California State PTA could not hold in-person meetings and events regularly held in prior years including quarterly Board of Managers meetings, an annual Convention, Leadership Symposium, and Legislation Conference. Between March 2020 and June 2021, almost all meetings and events were held virtually at a far lower cost. In addition, during the year ended June 30, 2021, California State PTA's Board of Directors implemented a temporary unpaid furlough program that included 24 unpaid days for all full-time employees. These savings combined with government pandemic assistance via a forgiven Paycheck Protection Program (PPP) loan of just over \$190,000 and Employee Retention Credits totaling just under \$300,000 helped offset the negative financial impact of the pandemic.

California State PTA's Board of Directors made building back the organization from the negative impacts of the pandemic a priority for the year ending June 30, 2022, including the resumption of in-person meetings and events and an end to the temporary unpaid furlough plan. Although there will likely be a significant short-term cost, the Board of Directors believe this approach will yield significant long-term benefits. California State PTA's financial activities during the past five years have strengthened its financial position providing the opportunity to prioritize building back the organization.