

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

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

**YEARS ENDED  
JUNE 30, 2018 AND 2017**

## **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, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States 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, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script that reads "Gilbert Associates, Inc." The signature is written in black ink and is positioned above the printed name of the firm.

**GILBERT ASSOCIATES, INC.**  
**Sacramento, California**

**January 24, 2019**

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

**STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2018 AND 2017**

| <b>ASSETS</b>                           | <b><u>2018</u></b>         | <b><u>2017</u></b>         |
|---|----------------------------|----------------------------|
| <b>CURRENT ASSETS:</b>                  |                            |                            |
| Cash and cash equivalents               | \$ 1,491,854               | \$ 1,368,932               |
| Accounts and interest receivable        | 125,593                    | 259,023                    |
| Prepaid expenses                        | 527,126                    | 445,133                    |
| Inventory                               | <u>48,212</u>              | <u>47,567</u>              |
| Total current assets                    | 2,192,785                  | 2,120,655                  |
| <b>INVESTMENTS</b>                      | 4,068,202                  | 3,769,367                  |
| <b>PROPERTY AND EQUIPMENT, Net</b>      | 1,934,200                  | 1,920,444                  |
| <b>INTANGIBLE ASSETS, Net</b>           | <u>32,704</u>              | <u>21,878</u>              |
| <b>TOTAL ASSETS</b>                     | <u><u>\$ 8,227,891</u></u> | <u><u>\$ 7,832,344</u></u> |
| <b>LIABILITIES AND NET ASSETS</b>       |                            |                            |
| <b>CURRENT LIABILITIES:</b>             |                            |                            |
| Accounts payable                        | \$ 161,116                 | \$ 296,474                 |
| Accrued expenses                        | 98,090                     | 103,601                    |
| Deferred revenues                       | <u>393,160</u>             | <u>399,215</u>             |
| Total current liabilities               | <u>652,366</u>             | <u>799,290</u>             |
| <b>NET ASSETS:</b>                      |                            |                            |
| Unrestricted:                           |                            |                            |
| Board designated                        | 595,843                    | 636,205                    |
| Undesignated                            | <u>6,889,124</u>           | <u>6,357,632</u>           |
| Total unrestricted                      | 7,484,967                  | 6,993,837                  |
| Temporarily restricted                  | <u>90,558</u>              | <u>39,217</u>              |
| Total net assets                        | <u>7,575,525</u>           | <u>7,033,054</u>           |
| <b>TOTAL LIABILITIES AND NET ASSETS</b> | <u><u>\$ 8,227,891</u></u> | <u><u>\$ 7,832,344</u></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, 2018 AND 2017**

|  | <u>2018</u>             | <u>2017</u>             |
|--|-------------------------|-------------------------|
| <b>UNRESTRICTED NET ASSETS:</b>              |                         |                         |
| <b>REVENUES:</b>                             |                         |                         |
| Membership                                   | \$ 1,513,793            | \$ 1,529,678            |
| Insurance income                             | 871,348                 | 854,953                 |
| Program service fees                         | 460,380                 | 432,700                 |
| Convention                                   | 406,259                 | 312,789                 |
| Investment income                            | 371,647                 | 359,145                 |
| Merchandise and award certificate sales, net | 133,410                 | 132,966                 |
| Contributions and grants                     | 78,319                  | 73,374                  |
| In-kind contributions                        | 39,779                  | 47,342                  |
| Legislative conference                       | 21,374                  | 14,805                  |
| Regional training                            | 11,520                  | 9,080                   |
| Gain on sale and other disposition of assets |                         | 113,937                 |
| Other income                                 | 36,229                  | 32,234                  |
| Net assets released from restrictions        | <u>373,659</u>          | <u>321,355</u>          |
| <b>Total revenues</b>                        | <u><b>4,317,717</b></u> | <u><b>4,234,358</b></u> |
| <b>EXPENSES:</b>                             |                         |                         |
| Program services:                            |                         |                         |
| Programs                                     | 774,294                 | 885,414                 |
| Insurance                                    | 697,201                 | 679,367                 |
| Convention                                   | 548,752                 | 600,681                 |
| Membership and training                      | 469,352                 | 454,816                 |
| Policy and legislative                       | 158,001                 | 127,195                 |
| Communications                               | <u>53,042</u>           | <u>110,668</u>          |
| <b>Total program services</b>                | <b>2,700,642</b>        | <b>2,858,141</b>        |
| Supporting services:                         |                         |                         |
| General and administrative                   | 581,022                 | 582,937                 |
| Board, commissions, and committees           | 408,408                 | 437,778                 |
| Technology                                   | 74,851                  | 68,038                  |
| Development                                  | <u>61,664</u>           | <u>62,483</u>           |
| <b>Total expenses</b>                        | <u><b>3,826,587</b></u> | <u><b>4,009,377</b></u> |
| <b>INCREASE IN UNRESTRICTED NET ASSETS</b>   | <u><b>491,130</b></u>   | <u><b>224,981</b></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, 2018 AND 2017**

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|   | <u>2018</u>         | <u>2017</u>         |
|---|---------------------|---------------------|
| <b>TEMPORARILY RESTRICTED NET ASSETS:</b>                           |                     |                     |
| Grants and contributions  | 425,000             | 275,000             |
| Net assets released from restrictions                               | <u>(373,659)</u>    | <u>(321,355)</u>    |
| <b>INCREASE (DECREASE) IN TEMPORARILY<br/>RESTRICTED NET ASSETS</b> | <u>51,341</u>       | <u>(46,355)</u>     |
| <b>INCREASE IN NET ASSETS</b>                                       | 542,471             | 178,626             |
| <b>NET ASSETS, Beginning of Year</b>                                | <u>7,033,054</u>    | <u>6,854,428</u>    |
| <b>NET ASSETS, End of Year</b>                                      | <u>\$ 7,575,525</u> | <u>\$ 7,033,054</u> |

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

## STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED JUNE 30, 2018

|  | Program Services  |                   |                   |                                    |                                   |                             | Supporting Services                     |   |                   |                    | <u>Total</u>        |
|--|-------------------|-------------------|-------------------|------------------------------------|-----------------------------------|-----------------------------|---|---|-------------------|--------------------|---------------------|
|  | <u>Programs</u>   | <u>Insurance</u>  | <u>Convention</u> | <u>Membership<br/>and training</u> | <u>Policy and<br/>legislative</u> | <u>Communi-<br/>cations</u> | <u>General &amp;<br/>administrative</u> | <u>Board,<br/>commissions,<br/>and<br/>committees</u> | <u>Technology</u> | <u>Development</u> |                     |
| Salaries                                   | \$ 274,826        |                   | \$ 72,281         | \$ 209,762                         | \$ 37,757                         | \$ 44,085                   | \$ 285,458                              | \$ 84,972   | \$ 48,343         | \$ 53,632          | \$ 1,111,116        |
| Insurance expense                          | 3,210             | \$ 697,201        |                   |                                    |                                   |                             | 15,552                                  |   |                   |                    | 715,963             |
| Travel                                     | 26,442            |                   | 82,849            | 70,899                             | 71,394                            | 584                         | 8,307                                   | 166,017   |                   | 553                | 427,045             |
| Convention and audio visual                |                   |                   | 216,689           | 6,606                              | 2,580                             |                             |   | 19,533  |                   |                    | 245,408             |
| Outside services                           | 193,096           |                   | 19,800            | 22,857                             | 5,999                             |                             | 156                                     | 1,955   |                   |                    | 243,863             |
| Food and beverages                         | 3,783             |                   | 6,183             | 9,124                              | 22,224                            |                             | 2,952                                   | 64,678  |                   | 97                 | 109,041             |
| Grants, scholarships, and<br>contributions | 103,723           |                   |                   |                                    |                                   |                             |   |   |                   |                    | 103,723             |
| Employee benefits                          | 22,926            |                   | 7,571             | 24,411                             | 2,486                             | 2,776                       | 26,840                                  | 7,647   | 4,872             | 3,856              | 103,385             |
| Printing and publications                  | 45,981            |                   | 17,405            | 26,052                             | 2,142                             | 244                         | 2,685                                   | 1,287   |                   | 51                 | 95,847              |
| Utilities                                  | 9,192             |                   | 17,169            | 3,148                              |                                   | 1,115                       | 40,138                                  | 22,129  | 93                |                    | 92,984              |
| Depreciation and amortization              | 4,363             |                   |                   | 2,163                              |                                   |                             | 71,232                                  |   | 10,758            |                    | 88,516              |
| Payroll taxes                              | 20,806            |                   | 5,567             | 15,482                             | 3,136                             | 3,748                       | 22,591                                  | 6,627   | 3,985             | 3,468              | 85,410              |
| Office expenses                            | 34,461            |                   | 6,005             | 9,509                              | 669                               | 82                          | 13,465                                  | 2,422   |                   |                    | 66,613              |
| Space rental                               |                   |                   | 56,675            | 7,191                              | 399                               |                             | 350                                     |   |                   |                    | 64,615              |
| Postage and shipping                       | 12,426            |                   | 7,498             | 28,070                             | 123                               |                             | 1,665                                   | 1,046   |                   | 7                  | 50,835              |
| Computer                                   | 3,134             |                   |                   | 5,515                              |                                   |                             | 22,703                                  | 9,587   | 6,800             |                    | 47,739              |
| Maintenance and repair                     | 6,324             |                   |                   |                                    |                                   |                             | 29,864                                  |   |                   |                    | 36,188              |
| Conferences and meetings                   | 5,369             |                   | 1,584             | 16,324                             | 7,853                             |                             | 279                                     |   |                   |                    | 31,409              |
| Legal and accounting                       | 2,368             |                   |                   | 9,060                              | 1,199                             |                             | 14,682                                  |   |                   |                    | 27,309              |
| Bank charges                               |                   |                   | 19,815            |                                    |                                   |                             | 7,051                                   |   |                   |                    | 26,866              |
| Small and miscellaneous<br>equipment       | 524               |                   | 34                | 92                                 |                                   | 408                         | 4,628                                   | 19,854  |                   |                    | 25,540              |
| Equipment rental                           | 321               |                   | 9,179             | 571                                |                                   |                             | 1,592                                   | 654   |                   |                    | 12,317              |
| Taxes, licenses, and filing fees           | 1,019             |                   | 448               |                                    |                                   |                             | 5,221                                   |   |                   |                    | 6,688               |
| Marketing                                  |                   |                   |                   | 516                                | 40                                |                             | 3,611                                   |   |                   |                    | 4,167               |
| Awards and recognition                     |                   |                   | 2,000             | 2,000                              |                                   |                             |   |   |                   |                    | 4,000               |
| <b>Total</b>                               | <u>\$ 774,294</u> | <u>\$ 697,201</u> | <u>\$ 548,752</u> | <u>\$ 469,352</u>                  | <u>\$ 158,001</u>                 | <u>\$ 53,042</u>            | <u>\$ 581,022</u>                       | <u>\$ 408,408</u>                                     | <u>\$ 74,851</u>  | <u>\$ 61,664</u>   | <u>\$ 3,826,587</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, 2017

|  | Program Services  |                   |                   |                                    |                                   | Supporting Services         |   |   |                   |                    | <b>Total</b>        |
|--|-------------------|-------------------|-------------------|------------------------------------|-----------------------------------|-----------------------------|---|---|-------------------|--------------------|---------------------|
|  | <u>Programs</u>   | <u>Insurance</u>  | <u>Convention</u> | <u>Membership<br/>and training</u> | <u>Policy and<br/>legislative</u> | <u>Communi-<br/>cations</u> | <u>General &amp;<br/>administrative</u> | <u>Board,<br/>commissions,<br/>and<br/>committees</u> | <u>Technology</u> | <u>Development</u> |                     |
| Salaries                                   | \$ 254,870        |                   | \$ 59,866         | \$ 204,913                         | \$ 32,838                         | \$ 89,703                   | \$ 296,050                              | \$ 81,838   | \$ 41,359         | \$ 50,792          | \$ 1,112,229        |
| Insurance expense                          | 3,150             | \$ 679,367        |                   | 1,042                              |                                   |                             | 14,832                                  | 668   |                   |                    | 699,059             |
| Travel                                     | 31,520            |                   | 90,138            | 67,805                             | 56,770                            | 1,377                       | 14,463                                  | 220,025   |                   | 4,816              | 486,914             |
| Convention and audio visual                |                   |                   | 244,861           | 1,472                              | 1,351                             |                             |   | 12,751  |                   |                    | 260,435             |
| Outside services                           | 232,235           |                   | 23,100            | 22,079                             | 5,703                             |                             | 3,262                                   | 1,250   |                   |                    | 287,629             |
| Food and beverages                         | 7,418             |                   | 6,991             | 8,254                              | 16,095                            |                             | 2,420                                   | 80,856  |                   | 370                | 122,404             |
| Grants, scholarships, and<br>contributions | 102,843           |                   |                   |                                    |                                   |                             |   |   |                   |                    | 102,843             |
| Employee benefits                          | 23,017            |                   | 6,905             | 23,877                             | 1,690                             | 9,754                       | 27,054                                  | 6,423   | 3,679             | 2,835              | 105,234             |
| Printing and publications                  | 105,728           |                   | 19,549            | 30,259                             | 1,793                             | 297                         | 3,150                                   | 261   |                   |                    | 161,037             |
| Utilities                                  | 8,995             |                   | 5,995             | 3,741                              |                                   | 900                         | 40,442                                  | 15,062  | 483               |                    | 75,618              |
| Depreciation and amortization              | 4,363             |                   |                   |                                    |                                   |                             | 72,174                                  |   | 16,300            |                    | 92,837              |
| Payroll taxes                              | 20,727            |                   | 4,883             | 14,596                             | 2,275                             | 6,862                       | 23,322                                  | 6,060   | 3,204             | 3,323              | 85,252              |
| Office expenses                            | 36,967            |                   | 12,405            | 14,782                             | 201                               |                             | 12,983                                  | 1,948   |                   |                    | 79,286              |
| Space rental                               |                   |                   | 90,076            | 1,632                              |                                   | 335                         |   | 5,471   |                   |                    | 97,514              |
| Postage and shipping                       | 19,605            |                   | 6,842             | 27,141                             | 108                               |                             | 2,062                                   | 462   |                   | 47                 | 56,267              |
| Computer                                   | 2,655             |                   |                   | 2,750                              |                                   |                             | 11,220                                  |   | 3,013             |                    | 19,638              |
| Maintenance and repair                     | 5,307             |                   |                   |                                    |                                   | 103                         | 24,884                                  | 2,928   |                   |                    | 33,222              |
| Conferences and meetings                   | 16,432            |                   |                   | 14,858                             | 7,176                             | 50                          | 1,496                                   |   |                   | 300                | 40,312              |
| Legal and accounting                       | 6,696             |                   |                   | 10,980                             | 1,195                             |                             | 17,184                                  |   |                   |                    | 36,055              |
| Bank charges                               |                   |                   | 14,352            |                                    |                                   |                             | 6,878                                   |   |                   |                    | 21,230              |
| Small and miscellaneous<br>equipment       | 912               |                   |                   |                                    |                                   | 185                         | 2,004                                   | 882   |                   |                    | 3,983               |
| Equipment rental                           | 839               |                   | 10,695            | 718                                |                                   |                             | 1,658                                   | 893   |                   |                    | 14,803              |
| Taxes, licenses, and filing fees           | 748               |                   | 439               |                                    |                                   |                             | 3,523                                   |   |                   |                    | 4,710               |
| Marketing                                  | 387               |                   |                   | 267                                |                                   | 1,102                       | 1,405                                   |   |                   |                    | 3,161               |
| Awards and recognition                     |                   |                   | 3,584             | 3,650                              |                                   |                             | 471                                     |   |                   |                    | 7,705               |
| <b>Total</b>                               | <b>\$ 885,414</b> | <b>\$ 679,367</b> | <b>\$ 600,681</b> | <b>\$ 454,816</b>                  | <b>\$ 127,195</b>                 | <b>\$ 110,668</b>           | <b>\$ 582,937</b>                       | <b>\$ 437,778</b>                                     | <b>\$ 68,038</b>  | <b>\$ 62,483</b>   | <b>\$ 4,009,377</b> |

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, 2018 AND 2017

|   | <u>2018</u>         | <u>2017</u>         |
|---|---------------------|---------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                        |                     |                     |
| Increase in net assets  | \$ 542,471          | \$ 178,626          |
| Reconciliation to net cash provided (used) by operating activities: |                     |                     |
| Depreciation and amortization                                       | 88,516              | 92,837              |
| Gain on sale and other disposition of assets                        |                     | (113,937)           |
| Realized and unrealized gain on investments                         | (325,226)           | (317,902)           |
| Changes in:   |                     |                     |
| Accounts and interest receivable                                    | 133,430             | 8,703               |
| Prepaid expenses  | (81,993)            | 62,101              |
| Inventory   | (645)               | 11,582              |
| Accounts payable  | (135,358)           | (34,726)            |
| Accrued expenses  | (5,511)             | (15,936)            |
| Deferred revenues   | (6,055)             | (2,835)             |
| Net cash provided (used) by operating activities                    | <u>209,629</u>      | <u>(131,487)</u>    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                        |                     |                     |
| Purchases of property and equipment                                 | (84,988)            | (36,497)            |
| Proceeds from sale of asset   |                     | 761,923             |
| Purchases of intangible assets                                      | (28,110)            | (2,708)             |
| Purchases of investments  | (621,974)           | (678,559)           |
| Proceeds from sale of investments                                   | <u>648,365</u>      | <u>657,954</u>      |
| Net cash provided (used) by investing activities                    | <u>(86,707)</u>     | <u>702,113</u>      |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>                    | 122,922             | 570,626             |
| <b>CASH AND CASH EQUIVALENTS, Beginning of Year</b>                 | <u>1,368,932</u>    | <u>798,306</u>      |
| <b>CASH AND CASH EQUIVALENTS, End of Year</b>                       | <u>\$ 1,491,854</u> | <u>\$ 1,368,932</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, 2018 AND 2017

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### 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, as do the individual districts and councils. Accordingly, separate books and records are maintained by the individual entities 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:

- Planning and presenting an annual convention for all members;
- Holding periodic training and planning meetings with PTA officers;
- Coordinating leadership training and development for PTA officers serving more than 750,000 members;
- Providing programs and services to members;
- Developing and distributing printed and electronic media to support the development and organization of local PTA units;
- Maintaining one central office to better serve regional 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;
- 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;
- Promoting arts education and awareness in the schools by participating in the National Reflections Art Program and by developing and distributing an arts newsletter (SMARTS); and
- Increasing awareness of issues affecting all children through its website at: [www.capta.org](http://www.capta.org).

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

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

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### 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 three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. The California State PTA has no permanently restricted net assets.

**Revenue recognition** – Membership dues are recognized as unrestricted support over the membership period, which is one year.

Insurance income is recognized over the insurance period. Amounts received in advance are recorded as deferred revenues until earned.

Convention, legislative conference, and program service fees are recognized when the related events or activities occur. Amounts received in advance are recorded as deferred revenues until the related events or activities occur.

Contributions and grants are recognized in full when received or unconditionally promised, in accordance with professional standards. 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 temporarily restricted net assets. Temporarily restricted net assets become unrestricted, and are reported in the statement of activities as net assets released from restrictions, when the time restrictions expire or the contributions are used for the restricted purposes.

Donated materials, equipment, and professional services are recorded as in-kind contributions and 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.

**Accounts receivable** are stated at the amount management expects to collect from outstanding balances. 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, award certificates, pins, and other membership-related merchandise.

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

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

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**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.

**Income taxes** – The California State PTA is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

**Functional allocation of expenses** – The costs of providing the program and supporting services have been summarized on a functional basis in the statements of activities and of functional expenses. Accordingly, certain costs have been allocated based on employees' time incurred and management's estimate of the usage of resources.

**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 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.  |

**Subsequent events** have been reviewed through January 24, 2019, the date the financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2018 that require recognition or disclosure in the financial statements.

**Reclassification** – Certain 2017 amounts have been reclassified to conform to the 2018 financial statement presentation.

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

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

### 3. 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>2018</u>       | <u>2017</u>       |
|---|-------------------|-------------------|
| Merchandise and award sales receivables | \$ 79,983         | \$ 73,348         |
| Program service fees                    | 19,250            | 121,845           |
| Convention receivables                  | 5,000             | 43,323            |
| Interest receivable                     | 4,989             | 3,937             |
| Other receivables                       | <u>16,371</u>     | <u>16,570</u>     |
| Total                                   | <u>\$ 125,593</u> | <u>\$ 259,023</u> |

### 4. PREPAID EXPENSES

Prepaid expenses consist of the following as of June 30:

|                                | <u>2018</u>       | <u>2017</u>       |
|--------------------------------|-------------------|-------------------|
| Prepaid insurance              | \$ 372,321        | \$ 357,686        |
| School Smarts prepaid expenses | 79,472            | 11,249            |
| Convention deposits            | 17,825            | 23,500            |
| Other prepaid expenses         | <u>57,508</u>     | <u>52,698</u>     |
| Total                          | <u>\$ 527,126</u> | <u>\$ 445,133</u> |

### 5. CONDITIONAL PROMISES TO GIVE

In 2016, 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 of this promise to give. In accordance with professional standards, during both 2018 and 2017, the California State PTA received and recognized \$275,000, as conditions had been met. No amounts remained outstanding at June 30, 2018.

In 2018, the California State PTA received an \$825,000 conditional promise to give from a grantor. The California State PTA is required to meet certain requirements as a condition of this promise to give. In accordance with professional standards, during 2018, the California State PTA has not received or recognized any amounts, as conditions have not been met. No contribution revenue related to this grant has been recognized in the financial statements as of June 30, 2018.

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

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

### 6. INVESTMENTS

Investment income consists of the following:

|                               | <u>2018</u>       | <u>2017</u>       |
|-------------------------------|-------------------|-------------------|
| Interest and dividends        | \$ 84,924         | \$ 75,903         |
| Unrealized and realized gains | 325,226           | 317,902           |
| Management fees               | <u>(38,503)</u>   | <u>(34,660)</u>   |
| Total                         | <u>\$ 371,647</u> | <u>\$ 359,145</u> |

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.

Investments are classified as follows as of June 30, 2018:

|                                       | <u>Level 1</u>      | <u>Level 2</u>    | <u>Total</u>        |
|---------------------------------------|---------------------|-------------------|---------------------|
| Mutual funds:                         |                     |                   |                     |
| Fixed income funds                    | \$ 464,576          |                   | \$ 464,576          |
| Exchange-traded and closed-end funds: |                     |                   |                     |
| Index funds                           | 1,258,188           |                   | 1,258,188           |
| Corporate bonds:                      |                     |                   |                     |
| A credit rating                       |                     | \$ 102,187        | 102,187             |
| A+ credit rating                      |                     | 89,869            | 89,869              |
| A- credit rating                      |                     | 39,661            | 39,661              |
| AA credit rating                      |                     | 34,480            | 34,480              |
| AAA credit rating                     |                     | 34,265            | 34,265              |
| AA- credit rating                     |                     | 23,810            | 23,810              |
| Government securities:                |                     |                   |                     |
| Treasury securities                   |                     | 480,886           | 480,886             |
| Federal agency securities             |                     | 49,004            | 49,004              |
| Common stocks:                        |                     |                   |                     |
| Information technology                | 403,006             |                   | 403,006             |
| Health care                           | 216,476             |                   | 216,476             |
| Industrials                           | 213,689             |                   | 213,689             |
| Financials                            | 184,895             |                   | 184,895             |
| Consumer discretionary                | 184,245             |                   | 184,245             |
| Energy                                | 93,894              |                   | 93,894              |
| Consumer staples                      | 74,358              |                   | 74,358              |
| Materials                             | 37,563              |                   | 37,563              |
| Telecommunication                     | 37,405              |                   | 37,405              |
| Real estate                           | 28,806              |                   | 28,806              |
| Utilities                             | <u>16,939</u>       |                   | <u>16,939</u>       |
| Total                                 | <u>\$ 3,214,040</u> | <u>\$ 854,162</u> | <u>\$ 4,068,202</u> |

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

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

Investments are classified as follows as of June 30, 2017:

|                                       | <u>Level 1</u>      | <u>Level 2</u>    | <u>Total</u>        |
|---------------------------------------|---------------------|-------------------|---------------------|
| Mutual funds:                         |                     |                   |                     |
| Fixed income funds                    | \$ 462,130          |                   | \$ 462,130          |
| Exchange-traded and closed-end funds: |                     |                   |                     |
| Index funds                           | 1,135,635           |                   | 1,135,635           |
| Corporate bonds:                      |                     |                   |                     |
| A credit rating                       |                     | \$ 111,243        | 111,243             |
| A+ credit rating                      |                     | 126,909           | 126,909             |
| A- credit rating                      |                     | 15,047            | 15,047              |
| AA credit rating                      |                     | 35,068            | 35,068              |
| AA- credit rating                     |                     | 50,706            | 50,706              |
| Government securities:                |                     |                   |                     |
| Treasury securities                   |                     | 424,892           | 424,892             |
| Federal agency securities             |                     | 24,162            | 24,162              |
| Common stocks:                        |                     |                   |                     |
| Information technology                | 352,336             |                   | 352,336             |
| Health care                           | 207,365             |                   | 207,365             |
| Industrials                           | 182,310             |                   | 182,310             |
| Financials                            | 167,318             |                   | 167,318             |
| Consumer discretionary                | 184,365             |                   | 184,365             |
| Energy                                | 76,104              |                   | 76,104              |
| Consumer staples                      | 89,658              |                   | 89,658              |
| Materials                             | 34,209              |                   | 34,209              |
| Telecommunication                     | 39,795              |                   | 39,795              |
| Real estate                           | 32,447              |                   | 32,447              |
| Utilities                             | <u>17,668</u>       |                   | <u>17,668</u>       |
| Total                                 | <u>\$ 2,981,340</u> | <u>\$ 788,027</u> | <u>\$ 3,769,367</u> |

### 7. PROPERTY AND EQUIPMENT

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

|                               | <u>2018</u>         | <u>2017</u>         |
|-------------------------------|---------------------|---------------------|
| Buildings and improvements    | \$ 2,113,336        | \$ 2,092,725        |
| Land                          | 490,000             | 490,000             |
| Equipment                     | 225,348             | 253,754             |
| Furniture and fixtures        | 92,935              | 92,935              |
| Land improvements             | <u>65,415</u>       | <u>7,303</u>        |
| Total                         | 2,987,034           | 2,936,717           |
| Less accumulated depreciation | <u>(1,052,834)</u>  | <u>(1,016,273)</u>  |
| Property and equipment, net   | <u>\$ 1,934,200</u> | <u>\$ 1,920,444</u> |

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

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

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**8. INTANGIBLE ASSETS**

Intangible assets consist of the following as of June 30:

|                               | <u>2018</u>      | <u>2017</u>      |
|-------------------------------|------------------|------------------|
| Database development          | \$ 297,694       | \$ 271,743       |
| Website                       | 48,900           | 48,900           |
| Trademarks                    | <u>7,825</u>     | <u>5,666</u>     |
| Total                         | 354,419          | 326,309          |
| Less accumulated amortization | <u>(321,715)</u> | <u>(304,431)</u> |
| Intangible assets, net        | <u>\$ 32,704</u> | <u>\$ 21,878</u> |

Amortization totaled \$17,284 and \$20,664 in 2018 and 2017, respectively.

**9. NET ASSETS**

Unrestricted net assets are designated by the board for the following purposes as of June 30:

|                        | <u>2018</u>       | <u>2017</u>       |
|------------------------|-------------------|-------------------|
| Operating reserves     | \$ 451,129        | \$ 490,000        |
| Honorary service award | <u>144,714</u>    | <u>146,205</u>    |
| Total                  | <u>\$ 595,843</u> | <u>\$ 636,205</u> |

Temporarily restricted net assets are restricted for the following purposes as of June 30:

|                                   | <u>2018</u>       | <u>2017</u>      |
|-----------------------------------|-------------------|------------------|
| Next generation science standards | \$ 90,558         |                  |
| Digital literacy                  | <u>          </u> | <u>\$ 39,217</u> |
| Total                             | <u>\$ 90,558</u>  | <u>\$ 39,217</u> |

**10. IN-KIND CONTRIBUTIONS**

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

|  | <u>2018</u>      | <u>2017</u>      |
|--|------------------|------------------|
| Professional services                    | \$ 27,975        | \$ 30,190        |
| Tangible goods                           | 7,884            | 13,410           |
| Unreimbursed expenses of board and staff | <u>3,920</u>     | <u>3,742</u>     |
| Total                                    | <u>\$ 39,779</u> | <u>\$ 47,342</u> |



**CALIFORNIA CONGRESS OF PARENTS, TEACHERS, AND  
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**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

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**11. 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 \$14,722 and \$14,247 in 2018 and 2017, respectively.

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