

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

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

**YEARS ENDED  
JUNE 30, 2020 AND 2019**

## **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, 2020 and 2019, 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, 2020 and 2019, 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 20, 2021**

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

## STATEMENTS OF FINANCIAL POSITION JUNE 30, 2020 AND 2019

| <b>ASSETS</b>                               | <b><u>2020</u></b>  | <b><u>2019</u></b>  |
|---|---------------------|---------------------|
| <b>CURRENT ASSETS:</b>                      |                     |                     |
| Cash and cash equivalents                   | \$ 1,607,213        | \$ 1,715,463        |
| Accounts and interest receivable            | 95,015              | 128,373             |
| Grants and contributions receivable         |                     | 241,330             |
| Refundable advance                          | 61,791              |                     |
| Prepaid expenses                            | 561,842             | 478,155             |
| Inventory                                   | 8,058               | 5,010               |
| Total current assets                        | 2,333,919           | 2,568,331           |
| <b>NONCURRENT ASSETS:</b>                   |                     |                     |
| Investments                                 | 4,801,262           | 4,350,016           |
| Property and equipment, net                 | 1,819,077           | 1,880,675           |
| Operating lease right-of-use asset          | 71,410              |                     |
| Intangible assets, net                      | 56,530              | 42,284              |
| Total noncurrent assets                     | 6,748,279           | 6,272,975           |
| <b>TOTAL ASSETS</b>                         | <b>\$ 9,082,198</b> | <b>\$ 8,841,306</b> |
| <b>LIABILITIES AND NET ASSETS</b>           |                     |                     |
| <b>CURRENT LIABILITIES:</b>                 |                     |                     |
| Accounts payable                            | \$ 105,284          | \$ 459,326          |
| Accrued expenses                            | 122,154             | 99,961              |
| Deferred revenues                           | 488,221             | 441,657             |
| Operating lease liability, current          | 18,807              |                     |
| Total current liabilities                   | 734,466             | 1,000,944           |
| <b>NONCURRENT LIABILITIES:</b>              |                     |                     |
| Operating lease liability, net              | 52,603              |                     |
| <b>TOTAL LIABILITIES</b>                    | <b>787,069</b>      | <b>1,000,944</b>    |
| <b>NET ASSETS:</b>                          |                     |                     |
| Without donor restrictions:                 |                     |                     |
| Board designated                            | 849,946             | 582,406             |
| Undesignated                                | 7,057,384           | 6,974,431           |
| Total net assets without donor restrictions | 7,907,330           | 7,556,837           |
| With donor restrictions                     | 387,799             | 283,525             |
| Total net assets                            | 8,295,129           | 7,840,362           |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>     | <b>\$ 9,082,198</b> | <b>\$ 8,841,306</b> |

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, 2020 AND 2019

|  | <u>2020</u>    | <u>2019</u>   |
|--|----------------|---------------|
| <b>NET ASSETS WITHOUT DONOR RESTRICTIONS:</b>            |                |               |
| <b>REVENUES:</b>   |                |               |
| Membership   | \$ 1,371,859   | \$ 1,460,688  |
| Insurance income   | 884,561        | 887,007       |
| Investment income  | 175,398        | 240,246       |
| Program service fees                                     | 147,899        | 317,931       |
| Contributions and grants                                 | 109,992        | 98,600        |
| Royalty income   | 102,387        | 137,227       |
| In-kind contributions                                    | 30,940         | 47,126        |
| Legislative conference                                   | 28,150         | 25,125        |
| Regional training  | 10,925         | 15,528        |
| Convention   | 6,280          | 295,513       |
| Merchandise and award certificate sales, net             | 2,843          | 9,238         |
| Gain (loss) on sale and other disposition of assets      | 1,046          | (2,629)       |
| Other income   | 14,910         | 17,820        |
| Net assets released from restrictions                    | 634,380        | 324,363       |
| Total revenues   | 3,521,570      | 3,873,783     |
| <b>EXPENSES:</b>   |                |               |
| Program services:  |                |               |
| Insurance  | 781,650        | 777,095       |
| Parent and family engagement                             | 600,579        | 674,990       |
| Membership and training                                  | 445,519        | 566,663       |
| Convention   | 160,481        | 631,973       |
| Policy and legislative                                   | 158,439        | 188,761       |
| Other programs   | 181,572        | 184,866       |
| Total program services                                   | 2,328,240      | 3,024,348     |
| Supporting services:                                     |                |               |
| General and administrative                               | 755,013        | 723,552       |
| Development  | 87,824         | 54,013        |
| Total expenses   | 3,171,077      | 3,801,913     |
| <b>INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b> | <b>350,493</b> | <b>71,870</b> |

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, 2020 AND 2019**

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|   | <u>2020</u>         | <u>2019</u>         |
|---|---------------------|---------------------|
| <b>NET ASSETS WITH DONOR RESTRICTIONS:</b>                |                     |                     |
| Grants and contributions                                  | 738,654             | 517,330             |
| Net assets released from restrictions                     | <u>(634,380)</u>    | <u>(324,363)</u>    |
| <b>INCREASE IN NET ASSETS WITH DONOR<br/>RESTRICTIONS</b> | <u>104,274</u>      | <u>192,967</u>      |
| <b>INCREASE IN NET ASSETS</b>                             | 454,767             | 264,837             |
| <b>NET ASSETS, Beginning of Year</b>                      | <u>7,840,362</u>    | <u>7,575,525</u>    |
| <b>NET ASSETS, End of Year</b>                            | <u>\$ 8,295,129</u> | <u>\$ 7,840,362</u> |

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

**STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2020**

|   | Program Services  |                              |                         |                   |                        | Supporting Services |                            |                  | Total               |
|---|-------------------|------------------------------|-------------------------|-------------------|------------------------|---------------------|----------------------------|------------------|---------------------|
|   | Insurance         | Parent and family engagement | Membership and training | Convention        | Policy and legislative | Other programs      | General and administrative | Development      |                     |
| 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             |
| Travel                                  |                   | 35,654                       | 61,719                  | 13,546            | 65,718                 | 4,730               | 80,102                     |                  | 261,469             |
| 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             |
| Payroll taxes                           | 2,617             | 24,572                       | 13,697                  | 7,059             | 2,351                  | 7,432               | 33,028                     | 4,827            | 95,583              |
| Food and beverages                      |                   | 12,695                       | 20,620                  | 3,428             | 29,826                 | 1,890               | 26,366                     | 413              | 95,238              |
| Depreciation and amortization           | 1,968             | 21,781                       | 23,717                  | 5,801             | 1,251                  | 5,714               | 31,626                     | 3,175            | 95,033              |
| Utilities                               | 1,155             | 14,072                       | 11,454                  | 3,897             | 1,927                  | 3,669               | 22,951                     | 1,862            | 60,987              |
| Grants, scholarships, and contributions |                   |                              |                         | 1,975             |                        | 51,025              |                            |                  | 53,000              |
| Printing and publications               | 4,298             | 7,993                        | 21,482                  | 1,311             | 1,584                  | 851                 | 2,160                      |                  | 39,679              |
| Information technology                  | 563               | 11,173                       | 9,219                   | 2,987             | 1,517                  | 1,724               | 10,977                     | 908              | 39,068              |
| Office expenses                         | 2,394             | 12,194                       | 8,801                   | 1,983             | 720                    | 713                 | 6,175                      | 380              | 33,360              |
| Maintenance and repair                  | 480               | 5,121                        | 2,953                   | 1,413             | 305                    | 1,392               | 18,710                     | 773              | 31,147              |
| Postage and shipping                    | 970               | 3,776                        | 14,879                  | 2,451             | 97                     | 15                  | 2,216                      |                  | 24,404              |
| Legal and accounting                    |                   |                              | 4,480                   | 1,800             | 1,138                  |                     | 16,760                     |                  | 24,178              |
| Convention and audio visual             |                   | 2,685                        | 4,475                   | 4,559             | 3,425                  | 555                 | 7,056                      |                  | 22,755              |
| Conferences and meetings                |                   | 5,416                        |                         |                   | 4,492                  |                     | 1,027                      |                  | 10,935              |
| Equipment rental                        | 134               | 1,482                        | 1,613                   | 395               | 85                     | 389                 | 4,433                      | 216              | 8,747               |
| Bank charges                            |                   |                              | 206                     | 2,780             | 624                    |                     | 4,376                      |                  | 7,986               |
| Small and miscellaneous equipment       | 149               | 1,607                        | 971                     | 449               | 120                    | 438                 | 2,726                      | 240              | 6,700               |
| Taxes, licenses, and filing fees        | 35                | 377                          | 217                     | 239               | 22                     | 103                 | 5,272                      | 57               | 6,322               |
| Marketing                               |                   | 95                           |                         |                   |                        |                     | 4,548                      |                  | 4,643               |
| Space rental                            |                   |                              | 4,059                   |                   |                        |                     |                            |                  | 4,059               |
| <b>Total</b>                            | <b>\$ 781,650</b> | <b>\$ 600,579</b>            | <b>\$ 445,519</b>       | <b>\$ 160,481</b> | <b>\$ 158,439</b>      | <b>\$ 181,572</b>   | <b>\$ 755,013</b>          | <b>\$ 87,824</b> | <b>\$ 3,171,077</b> |

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, 2019

|   | Program Services  |                                     |                                |                   |                               | Supporting Services   |                                   |                    | <b>Total</b>        |
|---|-------------------|-------------------------------------|--------------------------------|-------------------|-------------------------------|-----------------------|-----------------------------------|--------------------|---------------------|
|   | <b>Insurance</b>  | <b>Parent and family engagement</b> | <b>Membership and training</b> | <b>Convention</b> | <b>Policy and legislative</b> | <b>Other programs</b> | <b>General and administrative</b> | <b>Development</b> |                     |
| Salaries                                | \$ 41,221         | \$ 297,720                          | \$ 188,112                     | \$ 97,223         | \$ 36,878                     | \$ 55,348             | \$ 369,011                        | \$ 42,608          | \$ 1,128,121        |
| Insurance expense                       | 707,745           | 3,290                               | 2,576                          | 1,082             | 206                           | 621                   | 10,110                            | 285                | 725,915             |
| Travel                                  |                   | 46,802                              | 111,152                        | 100,130           | 81,554                        | 4,612                 | 92,431                            | 881                | 437,562             |
| Outside services                        | 3,404             | 147,720                             | 40,159                         | 37,371            | 5,855                         | 148                   | 3,694                             |                    | 238,351             |
| Employee benefits                       | 2,931             | 23,709                              | 22,647                         | 8,893             | 2,826                         | 5,233                 | 29,909                            | 2,725              | 98,873              |
| Payroll taxes                           | 2,810             | 24,058                              | 15,216                         | 7,593             | 2,730                         | 4,675                 | 28,570                            | 3,016              | 88,668              |
| Food and beverages                      |                   | 9,932                               | 30,968                         | 44,712            | 34,233                        | 2,326                 | 37,152                            | 199                | 159,522             |
| Depreciation and amortization           | 1,878             | 21,301                              | 26,235                         | 6,649             | 1,263                         | 3,816                 | 28,790                            | 1,750              | 91,682              |
| Utilities                               | 987               | 11,846                              | 13,011                         | 15,959            | 2,605                         | 2,299                 | 25,329                            | 921                | 72,957              |
| Grants, scholarships, and contributions |                   |                                     | 2,000                          | 1,975             |                               | 100,497               |                                   |                    | 104,472             |
| Printing and publications               | 12,264            | 20,117                              | 16,408                         | 20,003            | 3,226                         | 2,031                 | 3,479                             | 425                | 77,953              |
| Information technology                  | 393               | 4,700                               | 5,651                          | 1,393             | 265                           | 814                   | 16,825                            | 367                | 30,408              |
| Office expenses                         | 1,004             | 34,008                              | 15,402                         | 9,401             | 924                           | 516                   | 7,739                             | 198                | 69,192              |
| Maintenance and repair                  | 553               | 5,951                               | 4,660                          | 1,958             | 372                           | 1,124                 | 17,908                            | 516                | 33,042              |
| Postage and shipping                    | 1,775             | 8,263                               | 23,720                         | 8,433             | 285                           | 37                    | 2,917                             |                    | 45,430              |
| Legal and accounting                    |                   |                                     | 5,610                          |                   | 996                           |                       | 22,610                            |                    | 29,216              |
| Convention and audio visual             |                   | 3,315                               | 3,841                          | 219,216           | 4,294                         | 457                   | 5,319                             |                    | 236,442             |
| Conferences and meetings                |                   | 8,054                               | 30,564                         | 890               | 8,113                         |                       | 1,934                             |                    | 49,555              |
| Equipment rental                        |                   |                                     | 772                            | 1,435             |                               |                       | 1,921                             |                    | 4,128               |
| Bank charges                            |                   |                                     | 18                             | 12,919            | 604                           |                       | 4,901                             |                    | 18,442              |
| Small and miscellaneous equipment       | 96                | 1,689                               | 1,196                          | 460               | 336                           | 243                   | 2,009                             | 90                 | 6,119               |
| Taxes, licenses, and filing fees        | 34                | 365                                 | 286                            | 251               | 23                            | 69                    | 6,215                             | 32                 | 7,275               |
| Marketing                               |                   | 587                                 | 188                            |                   |                               |                       | 4,480                             |                    | 5,255               |
| Space rental                            |                   | 1,563                               | 6,271                          | 34,027            | 1,173                         |                       | 299                               |                    | 43,333              |
| <b>Total</b>                            | <b>\$ 777,095</b> | <b>\$ 674,990</b>                   | <b>\$ 566,663</b>              | <b>\$ 631,973</b> | <b>\$ 188,761</b>             | <b>\$ 184,866</b>     | <b>\$ 723,552</b>                 | <b>\$ 54,013</b>   | <b>\$ 3,801,913</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, 2020 AND 2019

|   | <u>2020</u>         | <u>2019</u>         |
|---|---------------------|---------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                  |                     |                     |
| Increase in net assets  | \$ 454,767          | \$ 264,837          |
| Reconciliation to net cash provided by operating activities:  |                     |                     |
| Depreciation and amortization                                 | 95,033              | 91,682              |
| (Gain) loss on sale and other disposition of assets           | (1,046)             | 2,629               |
| Realized and unrealized gain on investments                   | (134,281)           | (190,147)           |
| Changes in:   |                     |                     |
| Accounts and interest receivable                              | 33,358              | (2,780)             |
| Grants and contributions receivable                           | 241,330             | (241,330)           |
| Refundable advance  | (61,791)            |                     |
| Prepaid expenses  | (83,687)            | 48,971              |
| Inventory   | (3,048)             | 43,202              |
| Operating lease right-of-use asset                            | (71,410)            |                     |
| Accounts payable  | (354,042)           | 298,210             |
| Accrued expenses  | 22,193              | 1,871               |
| Deferred revenues   | 46,564              | 48,497              |
| Operating lease liability                                     | 71,410              |                     |
| Net cash provided by operating activities                     | <u>255,350</u>      | <u>365,642</u>      |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                  |                     |                     |
| Purchases of property and equipment                           | (21,697)            | (29,288)            |
| Proceeds from sale of equipment                               | 2,510               |                     |
| Purchases of intangible assets                                | (27,450)            | (21,078)            |
| Purchases of investments                                      | (1,361,990)         | (1,061,181)         |
| Proceeds from sale of investments                             | <u>1,045,027</u>    | <u>969,514</u>      |
| Net cash used for investing activities                        | <u>(363,600)</u>    | <u>(142,033)</u>    |
| <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>   | (108,250)           | 223,609             |
| <b>CASH AND CASH EQUIVALENTS, Beginning of Year</b>           | <u>1,715,463</u>    | <u>1,491,854</u>    |
| <b>CASH AND CASH EQUIVALENTS, End of Year</b>                 | <u>\$ 1,607,213</u> | <u>\$ 1,715,463</u> |
| <b>SUPPLEMENTAL DISCLOSURES:</b>                              |                     |                     |
| Right-of-use asset acquired through operating lease liability | <u>\$ 77,571</u>    | <u>\$</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, 2020 AND 2019

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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. 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 680,000 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;
- Representing children's interests through testimony and presentations;

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

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

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- 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](http://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** – Membership dues are recognized 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.

Royalty income is recognized in the same period that the underlying sale upon which the royalty is based occurs.

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. 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 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.

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

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

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**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, 2020 and 2019 were \$1,170,338 and \$1,400,698, 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.

**Grants and contributions receivable** – Unconditional grants and contributions that are expected to be collected within one year are recorded at net realizable value.

**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.

**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 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,

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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 audio visual, 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 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 June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-08, Not-for-Profit Entities (Topic 958), *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new accounting standard clarified and improved the guidance for (1) evaluating whether transactions should be accounted for as contributions within the scope of Topic 958 or as exchange transactions subject to other guidance and (2) determining whether a contribution is conditional. The California State PTA has implemented this accounting standard in the accompanying financial statements effective July 1, 2019 under the modified prospective basis. Accordingly, there is no effect on beginning net assets in connection with the implementation of ASU 2018-08.

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The new accounting standard required lessees to recognize a lease liability measured on a discounted basis and a right-of-use asset for all leases with terms longer than 12 months. The California State PTA has early implemented Topic 842 under the modified retrospective transition approach. As there were no significant leases as of July 1, 2019, there is no effect on beginning net assets in connection with the implementation of Topic 842.

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**Future accounting pronouncements** – In May 2014, the FASB issued Topic 606, *Revenue from Contracts with Customers*. The new accounting standard develops a common standard that will remove inconsistencies in revenue requirements, improve comparability of revenue recognition practices, provide more useful information to users of financial statements and simplify the preparation of financial statements. Application of this standard is effective for the year ending June 30, 2021. The California State PTA is currently evaluating the impact this pronouncement will have on the financial statements.

**Subsequent events** have been reviewed through January 20, 2021, the date the financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2020 that require recognition or disclosure in the financial statements.

### 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>2020</u>                 | <u>2019</u>         |
|--|-----------------------------|---------------------|
| Cash and cash equivalents  | \$ 1,607,213                | \$ 1,715,463        |
| Investments  | 4,801,262                   | 4,350,016           |
| Accounts and interest receivable   | 95,015                      | 128,373             |
| Grants and contributions receivable                                      | <u>                    </u> | <u>241,330</u>      |
| Total financial assets available   | 6,503,490                   | 6,435,182           |
| Less:  |                             |                     |
| Amounts unavailable for general expenditures within one year, due to:    |                             |                     |
| Board designated funds   | (849,946)                   | (582,406)           |
| Restricted by donors for time or purpose                                 | <u>(387,799)</u>            | <u>(283,525)</u>    |
| Total financial assets available for general expenditure within one year | <u>\$ 5,265,745</u>         | <u>\$ 5,569,251</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.

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**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>2020</u>      | <u>2019</u>       |
|---|------------------|-------------------|
| Royalties and sales of inventory receivable | \$ 36,418        | \$ 74,045         |
| Program service fees receivable             | 32,024           | 23,400            |
| Interest receivable                         | 5,552            | 5,997             |
| Sponsorships receivable                     | 5,000            | 5,000             |
| Membership dues receivable                  | 2,197            | 9,673             |
| Other receivables                           | <u>13,824</u>    | <u>10,258</u>     |
| Total                                       | <u>\$ 95,015</u> | <u>\$ 128,373</u> |

**5. PREPAID EXPENSES**

Prepaid expenses consist of the following as of June 30:

|                                | <u>2020</u>       | <u>2019</u>       |
|--------------------------------|-------------------|-------------------|
| Prepaid insurance              | \$ 380,060        | \$ 362,547        |
| School Smarts prepaid expenses | 62,278            | 65,773            |
| Convention deposits            | 37,607            | 10,200            |
| Other prepaid expenses         | <u>81,897</u>     | <u>39,635</u>     |
| Total                          | <u>\$ 561,842</u> | <u>\$ 478,155</u> |

**6. 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. There are no unrecognized conditional promises to give as of June 30, 2020.

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### 7. INVESTMENTS

Investment income consists of the following:

|                                  | <u>2020</u>       | <u>2019</u>       |
|----------------------------------|-------------------|-------------------|
| Interest and dividends           | \$ 88,059         | \$ 94,957         |
| Unrealized and realized gains    | 134,281           | 190,147           |
| Management fees                  | (42,826)          | (40,428)          |
| Internal administrative expenses | (4,116)           | (4,430)           |
| Total                            | <u>\$ 175,398</u> | <u>\$ 240,246</u> |

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             |
| Health care                           | 256,173             |                   | 256,173             |
| Consumer discretionary                | 239,391             |                   | 239,391             |
| Industrials                           | 212,870             |                   | 212,870             |
| Financials                            | 194,322             |                   | 194,322             |
| Communication services                | 180,983             |                   | 180,983             |
| Consumer staples                      | 90,535              |                   | 90,535              |
| Materials                             | 59,914              |                   | 59,914              |
| Utilities                             | 36,702              |                   | 36,702              |
| Real estate                           | 27,133              |                   | 27,133              |
| Energy                                | 25,963              |                   | 25,963              |
| Total                                 | <u>\$ 3,826,105</u> | <u>\$ 975,157</u> | <u>\$ 4,801,262</u> |



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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, 2019:

|                                       | <u>Level 1</u> | <u>Level 2</u> | <u>Total</u> |
|---------------------------------------|----------------|----------------|--------------|
| Mutual funds:                         |                |                |              |
| Fixed income funds                    | \$ 549,631     |                | \$ 549,631   |
| Exchange-traded and closed-end funds: |                |                |              |
| Index funds                           | 1,256,570      |                | 1,256,570    |
| Corporate bonds:                      |                |                |              |
| AAA credit rating                     |                | \$ 36,265      | 36,265       |
| AA credit rating                      |                | 34,916         | 34,916       |
| AA- credit rating                     |                | 65,850         | 65,850       |
| A+ credit rating                      |                | 35,982         | 35,982       |
| A credit rating                       |                | 81,139         | 81,139       |
| A- credit rating                      |                | 40,262         | 40,262       |
| Government securities:                |                |                |              |
| Treasury securities                   |                | 591,767        | 591,767      |
| Federal agency securities             |                | 19,801         | 19,801       |
| Common stocks:                        |                |                |              |
| Information technology                | 345,704        |                | 345,704      |
| Health care                           | 269,158        |                | 269,158      |
| Consumer discretionary                | 202,580        |                | 202,580      |
| Industrials                           | 223,875        |                | 223,875      |
| Financials                            | 196,406        |                | 196,406      |
| Communication services                | 141,445        |                | 141,445      |
| Consumer staples                      | 85,758         |                | 85,758       |
| Materials                             | 36,973         |                | 36,973       |
| Utilities                             | 25,338         |                | 25,338       |
| Real estate                           | 29,634         |                | 29,634       |
| Energy                                | 80,962         |                | 80,962       |
|                                       | \$ 3,444,034   | \$ 905,982     | \$ 4,350,016 |
| Total                                 | \$ 3,444,034   | \$ 905,982     | \$ 4,350,016 |

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## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

### 8. PROPERTY AND EQUIPMENT

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

|                               | <u>2020</u>  | <u>2019</u>  |
|-------------------------------|--------------|--------------|
| Buildings and improvements    | \$ 2,134,926 | \$ 2,124,160 |
| Land                          | 490,000      | 490,000      |
| Equipment                     | 139,353      | 226,755      |
| Furniture and fixtures        | 92,935       | 92,935       |
| Land improvements             | 65,415       | 65,415       |
| Total                         | 2,922,629    | 2,999,265    |
| Less accumulated depreciation | (1,103,552)  | (1,118,590)  |
| Property and equipment, net   | \$ 1,819,077 | \$ 1,880,675 |

### 9. INTANGIBLE ASSETS

Intangible assets consist of the following as of June 30:

|                               | <u>2020</u> | <u>2019</u> |
|-------------------------------|-------------|-------------|
| Database development          | \$ 316,142  | \$ 308,244  |
| Website                       | 68,450      | 48,900      |
| Trademarks                    | 18,353      | 18,353      |
| Total                         | 402,945     | 375,497     |
| Less accumulated amortization | (346,415)   | (333,213)   |
| Intangible assets, net        | \$ 56,530   | \$ 42,284   |

Amortization totaled \$13,202 and \$11,498 in 2020 and 2019, respectively.

### 10. 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. For the year ended June 30, 2020, lease expense totaled \$8,747.

The following is a schedule of future minimum lease payments required under the above operating lease as of June 30, 2020:

| <u>Fiscal year ending June 30,</u> |           |
|------------------------------------|-----------|
| 2021                               | \$ 18,807 |
| 2022                               | 19,301    |
| 2023                               | 19,808    |
| 2024                               | 13,494    |
| Total                              | \$ 71,410 |

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## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

### 11. NET ASSETS

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

|                                 | <u>2020</u>       | <u>2019</u>       |
|---------------------------------|-------------------|-------------------|
| Operating reserves              | \$ 451,373        | \$ 451,265        |
| Capital asset reserves          | 250,166           |                   |
| Scholarships and grants program | <u>148,407</u>    | <u>131,141</u>    |
| Total                           | <u>\$ 849,946</u> | <u>\$ 582,406</u> |

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

|                                   | <u>2020</u>       | <u>2019</u>       |
|-----------------------------------|-------------------|-------------------|
| Arts education                    | \$ 347,804        | \$ 44,195         |
| Digital literacy                  | 37,355            |                   |
| Next generation science standards | <u>2,640</u>      | <u>239,330</u>    |
| Total                             | <u>\$ 387,799</u> | <u>\$ 283,525</u> |

### 12. 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 (PPPFA) signed into law in June 2020. Under the CARES Act, as modified by PPPFA, a portion or all of the loan and accrued interest may be forgiven provided the 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 year ended June 30, 2020, the California State PTA recognized \$148,654 as contribution revenue (included with grants and contributions), representing the portion of the loan for which it believes it has met the criteria for forgiveness through incurring qualifying expenses. The balance of the loan, totaling \$41,531 as of June 30, 2020 is included in the statements of financial position as a deferred revenue and will be recognized as revenue when qualifying expenses are incurred.

The portion of the loan that does not qualify for forgiveness or any additional amount that the California State PTA chooses to retain as a loan, is required to be repaid within 5 years at 1% interest. The application for loan forgiveness is subject to approval by the lender and could also be subject to audit at a future date. The California State PTA believes it has, or will, meet the criteria for forgiveness through incurring qualifying expenses for the entire amount of this loan. In the event some portion of this loan does not qualify for forgiveness, the California State PTA has sufficient cash reserves to repay any portion of the loan required to be repaid.

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## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

### 13. IN-KIND CONTRIBUTIONS

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

|  | <u>2020</u>      | <u>2019</u>      |
|--|------------------|------------------|
| Professional services                    | \$ 26,775        | \$ 39,075        |
| Unreimbursed expenses of board and staff | 2,340            | 5,372            |
| Tangible goods                           | <u>1,825</u>     | <u>2,679</u>     |
| Total                                    | <u>\$ 30,940</u> | <u>\$ 47,126</u> |

### 14. 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 \$15,239 and \$12,643 in 2020 and 2019, 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 2020 and 2019.

### 15. 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.

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. With the pandemic carrying into the fall of 2021, it is likely to have a significant negative impact on membership in during the year ending June 30, 2021. However, the extent of that impact is not determinable at this time. California State PTA's Board of Directors and Management are carefully monitoring membership levels and preparing for a potential large decline.

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 impacted due to school closures and restrictions on travel and meetings related to the pandemic. During the year ending June 30, 2021, a virtual option was designed and will be made

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available. The demand for the virtual program and to what extent the financial impact of the pandemic on school districts, who are the primary purchasers of the program, will influence that demand is not determinable at this time. California State PTA's Board of Directors and Management are carefully monitoring the program and preparing for a potential large decline.

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 an annual Convention, Leadership Symposium, and Spring Board of Managers Meeting. However, in many cases, similar virtual meetings and events were held at a far lower cost which lead to an overall significant decline in expenses that would have otherwise been incurred. Most meetings and events that are historically have been held in person will not be during the year ending June 30, 2021, including Convention. The extent to which the positive financial impact from the reduction in these expenses will help balance negative financial impacts from declines in revenue such as membership dues is not determinable at this time.