

KEVIN E. FORDYCE, CPA



California Association for Bilingual Education

Financial Statements for the
Year Ended June 30, 2020



California Association for Bilingual Education

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Year Ended June 30, 2020

**California Association for Bilingual Education
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June 30, 2020**

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Independent Auditor's Report

To the Board of Directors
California Association for Bilingual Education

We have audited the accompanying financial statements of California Association for Bilingual Education (a not-for-profit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year 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 ("GAAP"); this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion


In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of California Association for Bilingual Education as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with GAAP.

Report on Summarized Comparative Information

Other auditors have previously audited California Association for Bilingual Education's financial statements at June 30, 2019 and for the year then ended and issued their report dated October 22, 2019 wherein they expressed an unmodified opinion on those statements. The summarized comparative prior year information presented herein as of June 30, 2020 is consistent in all material respects, with the audited financial statements from which it has been derived.

Emphasis of Matter

The Organization experienced significant operational and fiscal challenges due to the COVID-19 pandemic and the related government mandated social distancing measures, which has resulted in a loss of over \$2.1 million in the current year. Management has discussed these challenges, and the Organization's fiscal and operating response to them in Notes 1, 6, and 14.



Glendale, California
November 2, 2020

**CALIFORNIA ASSOCIATION FOR BILINGUAL EDUCATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019**

<u>Assets</u>	<u>2020</u>	<u>2019</u>
Cash	\$ 3,677,548	\$ 1,203,440
Accounts Receivable	533,565	1,045,491
Contributions Receivable	300,000	570,000
Investments	1,082,201	814,217
Inventory	14,266	16,234
Prepaid Expenses and Deposits	90,754	104,697
Property and Equipment, Net	<u>3,703,622</u>	<u>3,740,597</u>
Total Assets	<u><u>\$ 9,401,956</u></u>	<u><u>\$ 7,494,676</u></u>
<u>Liabilities</u>		
Accounts Payable and Accrued Expenses	\$ 692,588	\$ 564,995
Deferred Revenue	408,305	400,200
Advanced Receipts on Conditional Contributions	3,000,000	-
Note Payable	2,273,107	2,355,858
Loans	<u>959,370</u>	<u>-</u>
Total Liabilities	<u>7,333,370</u>	<u>3,321,053</u>
<u>Net Assets</u>		
Without Donor Restrictions	1,619,568	3,350,623
With Donor Restrictions	<u>449,018</u>	<u>823,000</u>
Total Net Assets	<u>2,068,586</u>	<u>4,173,623</u>
Total Liabilities and Net Assets	<u><u>\$ 9,401,956</u></u>	<u><u>\$ 7,494,676</u></u>

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

CALIFORNIA ASSOCIATION FOR BILINGUAL EDUCATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020
(WITH SUMMARIZED TOTALS FOR THE YEAR ENDED JUNE 30, 2019)

	Without Donor Restrictions	With Donor Restrictions	Total	2019
<u>Support and Revenue</u>				
Conference Fees	\$ 926,436	\$ -	\$ 926,436	\$3,997,018
Grants and Contributions	82,624	-	82,624	623,500
Government Grant	605,342	-	605,342	560,307
Membership Dues	105,413	-	105,413	103,919
Program Income	926,737	-	926,737	1,516,302
In-Kind Contributions	-	-	-	57,300
Publications and Promotional Sales	2,442	-	2,442	26,492
Investment Income	21,391	1,155	22,546	8,161
Net Assets Released From Restrictions	375,137	(375,137)	-	-
Total Support and Revenue	<u>3,045,522</u>	<u>(373,982)</u>	<u>2,671,540</u>	<u>6,892,999</u>
<u>Expenses</u>				
Program Services	3,716,451	-	3,716,451	2,359,636
Supporting Services:				
Management and General	1,031,004	-	1,031,004	2,886,687
Fundraising	29,122	-	29,122	628,129
Total Expenses	<u>4,776,577</u>	<u>-</u>	<u>4,776,577</u>	<u>5,874,452</u>
(Decrease)/Increase in Net Assets	(1,731,055)	(373,982)	(2,105,037)	1,018,547
Net Assets at Beginning of Year	<u>3,350,623</u>	<u>823,000</u>	<u>4,173,623</u>	<u>3,155,076</u>
Net Assets at End of Year	<u>\$ 1,619,568</u>	<u>\$ 449,018</u>	<u>\$ 2,068,586</u>	<u>\$4,173,623</u>

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

CALIFORNIA ASSOCIATION FOR BILINGUAL EDUCATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020
(WITH SUMMARIZED TOTALS FOR THE YEAR ENDED JUNE 30, 2019)

	Program Services								Supporting Services		Total	2019	
	CCEE Grant	NPD Grant	Membership	Annual Conference	Para-Educators and Parents Conference	Professional Development Services	Advocacy/Legislative	Other Program Services	Subtotal Program Services	General and Administration			Fundraising
Salaries Wages and Benefits:													
Salaries and Wages	\$ 71,732	\$278,838	\$ 5,421	\$ 477,533	\$ 15,382	\$ 205,845	\$ 18,849	\$ 522,130	\$ 1,595,730	\$ 255,608	\$ 22,064	\$1,873,402	1,909,193
Payroll Taxes	8,743	33,178	559	52,329	1,586	24,137	1,943	66,658	189,133	95,011	2,275	286,419	202,372
Employee Benefits	5,619	21,049	425	40,251	1,204	17,815	1,476	26,534	114,373	26,764	1,728	142,865	149,259
Total Personnel Expenses	<u>86,094</u>	<u>333,065</u>	<u>6,405</u>	<u>570,113</u>	<u>18,172</u>	<u>247,797</u>	<u>22,268</u>	<u>615,322</u>	<u>1,899,236</u>	<u>377,383</u>	<u>26,067</u>	<u>2,302,686</u>	<u>2,260,824</u>
Other Operations:													
Temporary Help	-	-	-	-	-	-	-	-	-	-	-	-	29,120
Food Catering Services	-	-	5,165	-	278,681	28,407	-	-	312,253	7,204	-	319,457	532,982
Travel, Meals, and Lodging	4,355	10,944	243	18,322	18,344	30,161	274	87,353	169,996	150,591	-	320,587	504,478
Professional Fees	-	-	-	-	-	-	-	-	-	22,680	-	22,680	21,600
Facility Rental	-	-	-	-	11,420	2,500	-	-	13,920	-	-	13,920	129,441
Office & Activity Supplies	692	4,832	923	376	8,737	5,232	-	7,504	28,296	18,043	-	46,339	104,802
Equipment Rental and Repair	-	-	842	10,000	43,815	3,628	-	-	58,285	41,745	-	100,030	216,412
Reprographics, Printing and Copi	54	2,084	8,044	12,598	70	3,218	-	9,307	35,375	10,281	-	45,656	91,745
In-Kind Contribution Expenses	-	-	-	-	-	-	-	-	-	-	-	-	57,300
Telephone	-	175	-	115	-	50	-	7,524	7,864	28,335	-	36,199	43,597
Speaker Fees and Travel	-	-	-	9,001	3,900	-	-	-	12,901	-	-	12,901	80,861
Depreciation	-	-	434	38,188	1,230	16,461	1,507	39,694	97,514	50,537	1,764	149,815	141,591
Bank Fees and Charges	-	-	240	11,880	46	30	-	74	12,270	34,516	-	46,786	59,728
Scholarships	-	-	3,860	-	-	-	-	12,700	16,560	-	-	16,560	20,835
Postage and Mailing	-	-	386	17,197	304	-	-	102	17,989	5,018	-	23,007	15,140
Interest Expense	-	-	317	27,951	900	12,049	1,103	29,053	71,373	36,989	1,291	109,653	113,367
Office Building Operating Expenses	-	300	-	7,270	-	487	-	1,308	9,365	80,638	-	90,003	86,626
Cost of Goods Sold	-	-	-	(96)	-	-	-	1,931	1,835	-	-	1,835	20,834
Insurance, Taxes, and Licenses	-	-	-	1,950	-	-	-	-	1,950	27,688	-	29,638	16,823
Awards and Gifts	-	37	-	-	407	77	-	(815)	(294)	2,060	-	1,766	11,582
Dues and Subscriptions	-	-	919	-	-	-	-	-	919	4,760	-	5,679	6,840
Conference Music Show	-	-	-	-	-	-	-	-	-	-	-	-	3,900
Consultant Reimbursements	-	2,175	-	17	833	18,473	2,019	743	24,260	423	-	24,683	36,348
Outside Services	-	203,449	19,538	62,476	31,125	183,281	72,450	156,407	728,726	212,550	-	941,276	1,188,910
Seminars and Education	340	7,126	-	-	5,853	26,784	-	41,059	81,162	5,260	-	86,422	39,416
Chapter Rebates	-	-	21,499	-	-	-	-	-	21,499	-	-	21,499	19,008
Advertising and Promotions	-	-	-	-	-	1,000	-	-	1,000	-	-	1,000	1,250
Indirect Costs	8,990	41,062	-	-	-	-	-	42,145	92,197	(92,197)	-	-	-
Bad Debt Expense	-	-	-	-	-	-	-	-	-	-	-	-	7,000
Donations and Contributions	-	-	-	-	-	-	-	-	-	6,500	-	6,500	12,092
Total Other Operations	<u>14,431</u>	<u>272,184</u>	<u>62,410</u>	<u>217,245</u>	<u>405,665</u>	<u>331,838</u>	<u>77,353</u>	<u>436,089</u>	<u>1,817,215</u>	<u>653,621</u>	<u>3,055</u>	<u>2,473,891</u>	<u>3,613,628</u>
Total Expenses	<u>\$ 100,525</u>	<u>\$605,249</u>	<u>\$ 68,815</u>	<u>\$787,358</u>	<u>\$ 423,837</u>	<u>\$ 579,635</u>	<u>\$ 99,621</u>	<u>\$ 1,051,411</u>	<u>\$ 3,716,451</u>	<u>\$ 1,031,004</u>	<u>\$ 29,122</u>	<u>\$4,776,577</u>	<u>\$ 5,874,452</u>

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

**CALIFORNIA ASSOCIATION FOR BILINGUAL EDUCATION
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

	2020	2019
Cash Flows from Operating Activities:		
Change in Net Assets	\$ (2,105,037)	\$ 1,018,547
Adjustment to Reconcile Change in Net Assets to Net Cash Provided By Operating Activities		
Depreciation	149,815	141,591
Realized and Unrealized Gain on Investments	(17,984)	(240)
Changes in:		
Accounts Receivable	511,926	(441,751)
Pledges Receivable	270,000	(141,000)
Inventories	1,968	3,584
Prepaid Expenses and Other Assets	13,943	5,052
Accounts Payable and Accrued Expenses	127,593	238,635
Deferred Revenue	8,105	131,837
Advances on Conditional Contributions	3,000,000	-
Net Cash Provided By Operating Activities	1,960,329	956,255
Cash Flows from Investing Activities:		
Purchase of Investments	(250,000)	(755,660)
Purchases of Building Improvements	(112,840)	(30,084)
Net Cash Used In Investing Activities	(362,840)	(785,744)
Cash flows from Financing activities:		
Proceeds from Loans and Notes	959,370	-
Principal Payment of Loans and Notes Payable	(82,751)	(79,037)
Net Cash Provided by/(Used In) Financing Activities	876,619	(79,037)
Net Increase in Cash	2,474,108	91,474
Cash at Beginning of Year	1,203,440	1,111,966
Cash at End of Year	\$ 3,677,548	\$ 1,203,440

Cash paid for interest during the years ended June 30, 2020 and 2019 was \$109,653 and \$113,367 respectively.

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

CALIFORNIA ASSOCIATION FOR BILINGUAL EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Note 1 – Organization

The California Association for Bilingual Education (“CABE” or the “Organization”) is a not-for-profit organization incorporated in 1976 to promote bilingual education and quality educational experiences for all students in California. CABE has chapters, members and affiliates, along with partnerships with other state and national advocacy organizations working to promote equity and student achievement for students with diverse cultural, racial, and linguistic backgrounds. CABE recognizes and honors the fact that we live in a rich multicultural, global society and that respect for diversity makes us a stronger state and nation.

CABE’s vision is “Biliteracy, Multicultural Competency, and Educational Equity for All”.

To support this central vision of biliteracy, multicultural competency, educational equity for all students, CABE will implement priorities, initiatives, and services targeted to teachers, administrators, parents, and others designed to dramatically increase California’s capacity to create culturally diverse and competent 21st century learning environments of high intellectual performance for all English Learners and other language learners and to graduate all English Learners to college, a career, and a 21st century ready and prepared to live their lives to their fullest potential.

As the premier organization focused on the education of California’s English Learners, CABE will judge itself as successful to the degree that we assist our districts, schools, and communities in achieving this 21st century vision of student success for every group of English Learners it serves.

CABE is a statewide advocacy organization with members and chapters and affiliates across the state who firmly believe that all students have the right to be bilingual. CABE focusses on the needs of the 1.2 million English Learners in the state of California. Learning bilingually accelerates and sustains academic progress while ensuring that English Learners attain high standards as they prepare to be 21st Century citizens. As an organization, CABE supports ongoing research, planning, and learning to guide its social movement for equitable instructional programs and practices. CABE works with other partners to influence program development and policy through the advocacy and legislative process.

In promoting these ideals, CABE has established the following programs:

- Professional Development Conferences and Institutes – CABE is the premier organization for professional development of the education of English Learners in California. This professional development program (five regional conferences and an annual statewide conference) is for educators, parents, and other community members.
- Parent and Family Engagement Program – The goal of the Parent and Family Engagement Program is to provide high-quality education, resources, and professional and leadership development to parents, families, and communities with an emphasis on outreach and services to parents and families of our most disadvantaged students, including those of low-income immigrant, minority, and limited English-proficient students.

The fiscal years ended June 30, 2020 and ending June 30, 2021 have been directly impacted by COVID-19 forcing the CABE team to work from remote locations and causing us to suspend, adapt, and adjust our programming and professional learning options from in-person to online platforms such as Zoom, Team, Google Classrooms, WebX, etc. Our CABE 2020 annual conference , which was to be held April 8-11, 2020 was suspended due to COVID-19, however resources and webinars were provided to registered attendees along with access to the CABE 2021 conference which will be held exclusively on a virtual platform. We sadly had to cancel two regional conferences in the spring of 2020 and for the program year ending June 30, 2021 we will be offering regional conferences in a virtual format.

CALIFORNIA ASSOCIATION FOR BILINGUAL EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Note 1 – Organization (Continued)

We quickly adapted our delivery of in-person professional learning and trainings to all online platforms and specialized our offerings to support educators, parents and students who are impacted by distance and remote learning. While we are hopeful that we will be able to return to in-person programming and work environments, we continue to follow the Centers for Disease Control (“CDC”) and Los Angeles County guidelines to ensure the safety of our personnel and clients.

- CABE Professional Development Services (“CABE PDS”) – The goal of CABE PDS is to provide schools and districts with services such as customized trainings, coaching, feasibility studies and leadership development.

CABE has one affiliated not-for-profit entity operating under CABE’s license:

- California Association of Bilingual Teachers Educators (“CABTE”) – This affiliate, whose members are professors at universities across the state, prepares bilingual teachers to work with diverse background students, especially English Learners.

CABE and its affiliates are primarily supported by income received from conferences, contracts for services, grants and meetings. The affiliated entity has minimal assets and activities during the fiscal year ended June 30, 2020. In addition, CABE has 22 statewide chapters. These chapters also have minimal assets and activities during the fiscal year ended June 30, 2020. Accordingly, neither the affiliate nor the state chapters are consolidated into these financial statements for the fiscal year ended June 30, 2020.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting and in conformity with accounting principles generally accepted in the United States of America (“GAAP”) applicable to not-for-profit organizations. Revenues are recorded in the accounting period in which they were pledged or received and reported as increases in net assets without donor restrictions, unless there are donor-imposed purposes and/or time restrictions on the gifted assets. Expenses are reported as decreases in net assets without donor restrictions. Gains or losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted explicit donor stipulation or by law.

The net assets of the Organization and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions

Net assets that are not subject to donor-imposed stipulations and that may be expendable for any purpose in the primary objectives of the Organization.

Net Assets with Donor Restrictions

Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or passage of time or are restricted for long periods of time. As the restrictions are satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying financial statements as net assets released from restrictions.

Some net assets with donor restrictions may be restricted by the donors for investment in perpetuity. The investment income is generally available for general support of the Organization’s programs and operations.

It is the policy of the Organization to record support that is donor restricted as support without donor restrictions when the donor-imposed restrictions have been satisfied within the reporting period.

CALIFORNIA ASSOCIATION FOR BILINGUAL EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Note 2 – Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues, and expenses as of the date and for the period presented. Accordingly, actual results could differ from those estimates. Significant estimates include the allowance for doubtful accounts applied to accounts and contributions receivable and the useful lives of fixed assets and their related depreciation method, and allocations of indirect costs on the statement of functional expenses.

Cash

Cash consists of cash on hand and in demand deposit accounts. The Organization considers investments with original maturities of three months or less at the time of purchase to be cash equivalents.

Accounts and Contributions Receivable

Accounts receivables are recorded when billed or accrued and represent claims against third parties that will be settled in cash. The carrying value of receivables, net of allowance for doubtful accounts, if any, represents their estimated net realizable value. Pledges are recorded as revenue at the time of the pledge. Long-term pledges are discounted over the term of the pledge using an appropriate discount rate.

The allowance for doubtful accounts, if any, is estimated based on historical trends, type of customer, the age of the outstanding receivables, and existing economic conditions. If events or changes in circumstances indicate that specific receivable balances may be impaired, further consideration is given to the collectability of those balances and the allowance adjusted accordingly.

Investments

Investments are stated at fair value for securities that are regularly traded and available for sale, or amortized cost for notes that the Organization intends to hold until maturity. The estimated fair value of investments is based on quoted market prices, except for alternative investments for which quoted market prices are not available. Unrealized gains or losses on investments resulting from fair value fluctuations are recorded in the statement of activities and changes in net assets in the period that such fluctuations occur. The Organization does not currently own any alternative investments for which quoted prices are unavailable.

Fair Value of Financial Instruments

In accordance with Accounting Standards Codification ("ASC") 820, *Fair Value Measurements*, fair value is defined as the price that the Organization would receive upon selling an investment in an orderly transaction to an independent buyer in the principal or most advantageous market of the investment. ASC 820 establishes a three-tier hierarchy to maximize the use of observable market data and minimize the use of unobservable inputs, and to establish classification of fair value measurements for disclosure purposes.

Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

CALIFORNIA ASSOCIATION FOR BILINGUAL EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Note 2 – Summary of Significant Accounting Policies (Continued)

The three-tier hierarchy of inputs is summarized in the three broad levels listed below.

- Level I Quoted prices in active markets for identical assets and liabilities.

- Level II Pricing inputs, including broker quotes, are generally those other than exchange quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

- Level III Pricing inputs are unobservable for the investment and includes situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation. Investments that are included in this category generally include privately held investments and partnership interests

Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to credit risk consist primarily of cash, cash equivalents, and receivables. The Organization maintains cash and cash equivalents primarily with major financial institutions. From time to time, such amounts may exceed Federal Deposit Insurance Corporation limits, however management does not believe such overages represent a significant credit risk.

Inventory

Inventories consist of published books, tapes, compact discs and other promotional items held for sale to the Organization’s members or to the general public. Inventory is stated at the lower of cost or net realizable value. Cost is determined using a the first in first out (“FIFO”) method. Inventory reserves are recorded for inventory items that have become excess or obsolete, are no longer saleable, or for which the carrying cost is less than current market prices.

Property and Equipment

Property and equipment are recorded at cost if purchased or at fair value as of the date of donation if donated. Depreciation is computed on a straight-line basis over the estimated useful lives of the related assets. Maintenance and repair costs are charged to expense as incurred. Property and equipment are capitalized if the cost of an asset is greater than \$5,000 and the useful life is greater than one year. The property and equipment comprised primarily of computer equipment which is depreciate over three years.

Buildings	10 to 27.5 Years
Building Improvements	5 to 10 Years
Furniture, Fixtures and Equipment	3 to 10 Years
Software	3 to 5 Years

Long-Lived Assets

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the book value of the assets may not be recoverable. An impairment loss is recognized when the sum of the undiscounted future cash flow is less than the carrying value of an asset, in which case a write-down is recorded to reduce the related asset to its estimated fair value. No impairment losses were recognized on long-lived assets during the year ended June 30, 2020 or June 30, 2019.

CALIFORNIA ASSOCIATION FOR BILINGUAL EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Note 2 – Summary of Significant Accounting Policies (Continued)

Revenue Recognition

Donor Contributions

Donor grants and contributions are recognized as revenues when they are received or unconditionally pledged. The Organization reports gifts of cash and other assets as donor restricted if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or a purpose restriction is accomplished, donor restricted net assets are reclassified to net assets without donor restrictions and reported in the accompanying statement of activities as net assets released from restriction. Contributions that include donor restrictions that are satisfied either by the passage of time or satisfying the donor restricted purpose in the same period as the contribution is received are reported as support without donor restrictions.

Conference Fees

Conference Fees are generally recognized in the period the conference is held. Conference Fees received in advance are recorded as part of deferred income in the statement of financial position.

Membership Dues

Membership dues are amortized over the period to which the dues relate, which is generally twelve months. Any unamortized balance is recorded as part of unearned income in the statement of financial position.

Publications and Promotional Sales

Publication and promotional sales are measured at the fair value of the consideration received or receivable net of sales tax, trade discounts, and customer returns.

In-Kind Contributions

Contributions of non-cash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or the require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Cost-Reimbursable Grants

Revenue from cost reimbursable grants is recorded to the extent of expense incurred applicable to the grant. Any difference between expenses incurred and the total funds received (not to exceed the grant maximum) is recorded as a payable, receivable, or advanced receipts on conditional contributions, or deferred revenue as appropriate.

Functional Allocation of Expenses

The functional allocation of expenses shared between programs, management and general, and fundraising is based on a reasonable and consistent basis using factors such as direct payroll allocation, square footage, full-time equivalents within each program, and total direct expenses.

Credit Concentration

Financial instruments that potentially subject the Organization to concentration of credit risk are cash and certificates of deposits that are held by recognized financial institutions. At times held amounts may exceed FDIC insurance limits.

Concentrations of credit risks with respect to accounts receivable and grants receivable are limited, due to CABA's historical collection experience as the majority of CABA's receivables consist of earned fees from contract programs granted by governmental agencies. CABA continually monitors its receivables and establishes valuation reserves as considered appropriate. During the year ended June 30, 2020 one donor comprised the entire pledge receivable.

CALIFORNIA ASSOCIATION FOR BILINGUAL EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Note 2 – Summary of Significant Accounting Policies (Continued)

Income Taxes

The Organization is a nonprofit organization exempt from income taxes under section 501(c)(3) of the Internal Revenue Code, and Section 23701(d) of the California State Revenue and Taxation Code. Accordingly, no provision for federal or state income taxes is included in the financial statements. In addition, the Organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Internal Revenue Code.

The Organization applies the recognition requirements for uncertain income tax positions as required by GAAP. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. The Organization has analyzed the tax positions taken in its filings with the Internal Revenue Service and state jurisdictions where it operates. Furthermore, the Organization believes that its income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Organization's financial condition, results of operations or cash flows. Accordingly, the Organization has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at June 30, 2020.

The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Organization believes it is no longer subject to income tax examinations for years prior to 2017.

Accounting Pronouncements Implemented in the Fiscal Year Ended June 30, 2020

In June 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2018-08, *Not-for-Profit Entities - Revenue Recognition (Topic 958-605)*. ASU 2018-08 clarifies and improves the scope and the accounting guidance for contributions received and contributions made. This update assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958 or as exchange (reciprocal) transactions subject to other guidance, and (2) determining whether a contribution is conditional. The Organization adopted the provisions of ASU 2018-08 in the current year. The FASB has recommended that the requirements of ASU 2018-08 be implemented on a modified prospective basis to any remaining portion of existing agreements not yet recognized as of the effective date, thus restatement of beginning balances to reflect this change in accounting principle is not necessary.

Management evaluated all material revenue streams and specific grants and contributions using the criteria promulgated by ASU 2018-08. One contribution from a governmental agency was identified that was previously considered to be an exchange transaction accounted under the guidance of Accounting Standards Codification ("ASC") Topic 605, that will be, beginning with the fiscal year ended June 30, 2020, accounted for as a conditional contribution, with revenue recognized as the Organization meets the established "barriers" that comprise the conditions of the contract. As a result of this change in accounting principle, \$3,000,000 that was received by the Organization in advance of the satisfaction of the conditions in the contract are recorded as a liability called "advanced receipts on conditional contributions" in the statement of financial position.

CALIFORNIA ASSOCIATION FOR BILINGUAL EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Note 2 – Summary of Significant Accounting Policies (Continued)

Other Recent Accounting Pronouncements

Revenue from Contracts with Customers

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which requires reporting entities to recognize the amount of revenue to which they expect to be entitled for the transfer of goods or services to customers. The updated standard will replace most existing revenue recognition in generally accepted accounting principles when it becomes effective and permits the use of either full retrospective or retrospective with cumulative effect transition methods. The deferred effective date, ASU 2014-09 will be effective for the Organization in its year ended June 30, 2021. Early adoption is permitted. The Organization is in the process of evaluating the impact of adoption on its financial statements.

Leases

In February 2016 the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-02, *Leases (Topic 842)*, with subsequent improvements and clarifications issued in ASU 2018-01, ASU 2018-10 and ASU 2018-20. ASU 2016-02, along with the noted related ASUs issued in 2018 amends a number of aspects of lease accounting , including requiring lessees to recognize both a “right of use” asset and a corresponding lease obligation liability for all leases with a term longer than 12 months. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of asset not to recognize the right of use asset and lease obligation liability. ASU 2016-02 is effective for the Organization in its fiscal year ended June 30, 2022. The Organization is currently evaluating the impact of the provisions of ASU 2016-02 and its related subsequent ASUs on the presentation of its financial statements.

Note 3 – Contributions and Accounts Receivable

The Organization’s contributions receivable at June 30, 2020 consists of one pledge from the Sobrato Family Foundation that has been collected in the subsequent fiscal year.

Note 4 – Investments

The investment goal of the Organization is to maintain or grow its spending power in real inflation adjusted terms with risk at a level appropriate to the Organization’s programmatic spending and objectives. The Organizations’ investments in marketable securities are in cash and cash equivalents, developed market equities, and fixed income instruments.

All securities are exposed to various risks, such as changes in interest rates or credit ratings and market fluctuations. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is possible that the value of the Organization’s investments and total net assets balance could fluctuate materially.

The following table summarizes the valuation of the Organization’s investments and interests in charitable remainder trust and gift annuity per the ASC 820 fair value hierarchy levels as of June 30, 2020:

CALIFORNIA ASSOCIATION FOR BILINGUAL EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Note 4 – Investments (Continued)

<u>Investments</u>	<u>Level I</u>	<u>Level II</u>	<u>Total</u>
Cash and Equivalents	\$ 530,888	\$ -	\$ 530,888
Certificates of Deposit	-	508,549	508,549
Equities	14,939	-	14,939
Fixed Income Securities	27,825	-	27,825
Total Investments	<u>\$ 573,652</u>	<u>\$ 508,549</u>	<u>\$ 1,082,201</u>

The Organization did not have any Level III assets during the year.

Note 5 – Property and Equipment

Property and equipment at June 30, 2020 consists of land, building and building improvements depreciable furniture, fixtures, and computers and their related software as shown in the schedule below:

Land	\$ 509,144
Building	3,359,772
Building Improvements	214,922
Total	<u>4,083,838</u>
Less: Accumulated Depreciation	<u>(380,216)</u>
Property and Equipment, net	<u>\$ 3,703,622</u>

Depreciation expense totaled \$149,815 for the year ended June 30, 2020.

Note 6 – Note Payable and U.S. Government Loans

The Organization has one note payable and two loans obtained through the U.S. Government via Bank of the West as of June 30, 2020, which are described below.

Note Payable

In November 2017, CABE entered into a promissory note agreement with Bank of the West with principal amount of \$2,486,000 maturing in November 2037. The note carries a 4.66% fixed rate of interest. The loan is amortized through equal monthly payments over the term. The loan is secured with the deed to the Organization's main offices located in Walnut, California along with other pledged assets. The balance of the note at June 30, 2020 is \$2,273,107.

U.S. Government Paycheck Protection Plan Loan

On April 18, 2020, CABE was granted a loan from Bank of the West in the aggregate amount of \$459,370, pursuant to the U.S. Government's "Paycheck Protection Program" (the "PPP") under Division A, Title I of the CARES Act, which was enacted March 27, 2020.

The PPP, established as part of the *Coronavirus Aid, Relief and Economic Security Act*, provides for loans to qualifying business for amount up to 2.5 times of the average monthly payroll expenses. The loans and accrued interest are forgivable after twenty-six weeks provided the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, mortgage interest, lease, and utility obligations, and maintains its payroll levels. The amount of loan forgiveness could be reduced if the borrower terminates employees or reduce salaries during the twenty-six week period.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1.00%, with a deferral of payments for the first six months after the end of the twenty-six week program period. CABE intends to use the proceeds for purposes consistent with the PPP. While CABE currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the full amount of the loan, such forgiveness is not assured until the claim for forgiveness has been accepted, thus it is reported as loan liability in the statement of financial position. Management intends to apply for the loan forgiveness during the fiscal year ending June 30, 2021. The balance of the loan at June 30, 2020 is \$459,370.

CALIFORNIA ASSOCIATION FOR BILINGUAL EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Note 6 – Note Payable and U.S. Government Loans (Continued)

U.S. Government Economic Injury Disaster Loan Program

On April 17, 2020, CAFE borrowed and entered loan agreement, in the amount of \$500,000, with U.S. Government's Small Business Administration (SBA) under SBA's Economic Injury Disaster Loan ("EIDL") program. This loan bears an interest rate of 2.75% per annum. Installment payments, including principal and interest of \$2,136 monthly will begin on April 17, 2021 which is twelve (12) months from the date of the note. The balance of principal and interest will be payable thirty (30) years from the date of the promissory note. This loan is secured by CAFE's assets to the extent they have not otherwise been pledged for the note payable. The balance of the loan at June 30, 2020 is \$500,000

A summary of the minimum payments over five years for each note or loan is as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Note</u>	<u>PPP Loan*</u>	<u>EIDL Loan</u>	<u>Total</u>
2021	\$ 86,844	\$ 57,421	\$ 2,977	\$ 147,242
2022	91,037	229,685	12,116	332,838
2023	95,433	172,264	12,453	280,150
2024	99,786	-	12,800	112,586
2025	105,280	-	13,157	118,437
Thereafter	<u>1,794,727</u>	<u>-</u>	<u>446,497</u>	<u>2,241,224</u>
Total	<u>\$ 2,273,107</u>	<u>\$ 459,370</u>	<u>\$ 500,000</u>	<u>\$ 3,232,477</u>

* Note that CAFE believes these amounts will be forgiven and thus actual payments will not be made under this loan.

Note 7 – Net Assets With Donor Restrictions

Net assets with donor restrictions were comprised of the following at June 30, 2020:

Net Assets With Temporary Purpose Restrictions	
Sobrato Family Foundation	\$ 358,253
The California Endowment	34,784
Accumulated Earnings on Endowment	<u>15,981</u>
Total Net Assets With Temporary Purpose Restrictions	409,018
Net Assets Restricted in Perpetuity	
Penichet Trust Fund	<u>40,000</u>
Total Net Assets With Donor Restrictions	<u>\$ 449,018</u>

The earnings on the Pinechet Trust Endowment are restricted for scholarship or scholarship-related activities.

Note 8 – Endowment

The Organization's endowment consists of one donor-restricted fund. As required by GAAP, net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The board of directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), as adopted by the State of California, as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

CALIFORNIA ASSOCIATION FOR BILINGUAL EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Note 8 – Endowment (Continued)

As a result of this interpretation, the Organization classifies net assets with donor restrictions (a) the original value of gifts donated to the donor-restricted endowment, (b) the original value of subsequent gifts to the donor-restricted endowment, and (c) accumulations to the donor-restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The portion of the donor-restricted endowment fund is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the CABE and donor-restricted fund
3. General economic conditions
4. The possible effects of inflation or deflation
5. The expected total return from income and the appreciation of investments
6. Other resources available to the Organization
7. The investment policies of the Organization

The Organization’s one endowment fund consists of \$40,000 in principal that is maintained in perpetuity, with all earnings in excess of the principal amount available for the sole restricted purposes of funding scholarships or other scholarship-related activities. During the fiscal year ended June 30, 2020, the endowment had earnings of \$1,155. The endowment balance at June 30, 2020 is summarized as follows:

Donor Restricted Endowment Principal		\$	40,000
Accumulated Earnings at June 30, 2019	\$	14,826	
Current Fiscal Year Earnings		1,155	
Accumulated Earning at June 30, 2020			15,981
Total Donor Restricted Endowment Funds		\$	55,981

There were no appropriations for release during the fiscal year ended June 30, 2020.

Note 9 – Lease

The Organization leases two copier/printers under an operating lease that terminates in November 2024. Monthly payments on the lease are \$2,705. Minimum annual lease payments for the term of the lease are as follows:

Fiscal Year Ending June 30,			
2021		\$	32,460
2022			32,460
2023			32,460
2024			32,460
2025			10,820
Total		\$	140,660

Note 10 – Retirement Plan

The Organization has a 403(b) defined contribution plan under which eligible employees may make salary reduced tax-deferred contributions up to the statutory minimum. Employee eligibility for contributions made by the Organization is based on years of service. CABE contributes one percent of an eligible employee’s salary during the first year of service and 4% thereafter. Contributions to the plan made by the Organization are fully vested after an employee’s third year of service as defined in the plan. CABE contributed \$63,516 to the plan during the fiscal year ended June 30, 2020.

CALIFORNIA ASSOCIATION FOR BILINGUAL EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Note 11 – Commitments and Contingencies

The Organization has an employment agreement with an executive employee through June 30, 2021.

Note 12 – Dual Language Immersion Program Implementation and Parent Engagement Grant

In 2018 the Organization was awarded a grant for the Dual Language Immersion and Parent Engagement Program. The project implementation period is set from September 2017 through August 2022 with each annual period budgeted for \$549,997 in expenses. For the year ended June 30, 2020, the Organization’s revenue under this grant was \$605,342.

Note 13 – Information About Liquidity and Net Asset Availability

The Organization monitors liquidity required and cash flows to meet its operating needs on an annual basis. It structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. CABE has various sources of liquidity at its disposal, including cash and accounts receivable and investments. Furthermore, as discussed at notes 1, 6 and 14, due to the current year operational and financial challenges brought on the by the COVID pandemic, the Organization obtained two loans from the federal government to provide necessary liquidity. The Organization also has access to a \$250,000 line of credit that could be used for any short-term cash flow necessities.

As of June 30, 2020, financial assets due within one year for general expenditures are as follows:

Cash	\$ 3,677,548
Accounts Receivable	533,565
Contributions Receivable	300,000
Investments	<u>1,082,201</u>
Total Financial Assets at June 30, 2020	5,593,314
Less Amounts Not Available To Be Used Within One Year	
Purpose Restricted Contributions	(353,127)
Endowment Investments	<u>(55,981)</u>
Financial Assets Available for General Expenditures for One Year	<u>\$ 5,240,187</u>

Note 14 – Financial Impact of COVID-19

The financial impact of COVID-19 was felt deeply by CABE. As discussed in Note 1, it has caused the Organization to suspend, delay or cancel different events, contracts and the annual conference which plays a substantial role in the Organization’s ongoing fiscal revenues. Due to COVID-19, we ended the fiscal year ended June 30, 2020 with a deficit and as discussed in Note 6, have drawn upon Small Business Administration (“SBA”) PPP and EIDL loans, and used part of our asset reserves.

To further adapt to the situation, the Organization has eliminated all expenses except those that are deemed absolutely essential. For the fiscal year ending June 30, 2021 the Organization is continuing with a very austere budget and is focusing on revenue building through new and innovative means of providing contractual virtual services and online conferences and events.

Note 15 – Subsequent Events

The Organization has evaluated these financial statements for subsequent events through November 2, the day these financial statements were available to be issued. Management is not aware of any subsequent events that would require recognition or disclosure in them.