

CALIFORNIA ASSOCIATION FOR BILINGUAL EDUCATION

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

**CALIFORNIA ASSOCIATION FOR BILINGUAL EDUCATION
TABLE OF CONTENTS
YEARS ENDED JUNE 30, 2018 AND 2017**

| | |
|--|----------|
| INDEPENDENT AUDITORS' REPORT | 1 |
| FINANCIAL STATEMENTS | |
| STATEMENTS OF FINANCIAL POSITION | 3 |
| STATEMENTS OF ACTIVITIES | 4 |
| STATEMENTS OF FUNCTIONAL EXPENSES | 6 |
| STATEMENTS OF CASH FLOWS | 8 |
| NOTES TO FINANCIAL STATEMENTS | 9 |

INDEPENDENT AUDITORS' REPORT

Board of Directors
California Association for Bilingual Education
Walnut, California

Report on the Financial Statements

We have audited the accompanying financial statements of California Association for Bilingual Education (CABE), a California nonprofit corporation, which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 audits 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 auditors' 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.

Board of Directors
California Association for Bilingual Education

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CABC as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Pasadena, California
October 23, 2018

**CALIFORNIA ASSOCIATION FOR BILINGUAL EDUCATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017**

| | 2018 | 2017 |
|---------------------------------------|--------------|--------------|
| ASSETS | | |
| Cash and Cash Equivalents | \$ 1,111,966 | \$ 1,299,530 |
| Accounts Receivable | 538,307 | 370,582 |
| Contributions Receivable | 429,000 | - |
| Grants Receivable | 65,433 | 39,171 |
| Investments | 58,317 | 335,561 |
| Inventories | 19,818 | 19,073 |
| Prepaid Expenses and Other Assets | 109,749 | 51,031 |
| Property and Equipment, Net | 3,852,104 | 338,755 |
| Total Assets | \$ 6,184,694 | \$ 2,453,703 |
| LIABILITIES AND NET ASSETS | | |
| LIABILITIES | | |
| Accounts Payable and Accrued Expenses | \$ 326,360 | \$ 299,355 |
| Deferred Revenue | 268,363 | 47,433 |
| Notes Payable | 2,434,895 | 4,074 |
| Total Liabilities | 3,029,618 | 350,862 |
| NET ASSETS | | |
| Unrestricted | 2,464,455 | 2,024,903 |
| Temporarily Restricted | 650,621 | 37,938 |
| Permanently Restricted | 40,000 | 40,000 |
| Total Net Assets | 3,155,076 | 2,102,841 |
| Total Liabilities and Net Assets | \$ 6,184,694 | \$ 2,453,703 |

See accompanying Notes to Financial Statements.

**CALIFORNIA ASSOCIATION FOR BILINGUAL EDUCATION
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018**

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---------------------------------------|----------------------------|---------------------------|---------------------------|----------------------------|
| REVENUE | | | | |
| Conference Fees | \$ 2,694,482 | \$ - | \$ - | \$ 2,694,482 |
| Grants and Contributions | 233,879 | 637,121 | - | 871,000 |
| Government Grant | 722,088 | - | - | 722,088 |
| Membership Dues | 100,047 | - | - | 100,047 |
| Program Income | 1,224,699 | - | - | 1,224,699 |
| Gain on Sale of Assets | 678,622 | - | - | 678,622 |
| In-Kind Contributions | 47,220 | - | - | 47,220 |
| Publications and Promotional Sales | 21,685 | - | - | 21,685 |
| Investment Income | 1,139 | 1,183 | - | 2,322 |
| Net Assets Released from Restrictions | 25,621 | (25,621) | - | - |
| Total Revenue | <u>5,749,482</u> | <u>612,683</u> | <u>-</u> | <u>6,362,165</u> |
| EXPENSES | | | | |
| Program Services | 4,028,267 | - | - | 4,028,267 |
| General and Administrative | 1,251,879 | - | - | 1,251,879 |
| Fundraising | 29,784 | - | - | 29,784 |
| Total Expenses | <u>5,309,930</u> | <u>-</u> | <u>-</u> | <u>5,309,930</u> |
| INCREASE IN NET ASSETS | 439,552 | 612,683 | - | 1,052,235 |
| Net Assets - Beginning of Year | <u>2,024,903</u> | <u>37,938</u> | <u>40,000</u> | <u>2,102,841</u> |
| NET ASSETS - END OF YEAR | <u><u>\$ 2,464,455</u></u> | <u><u>\$ 650,621</u></u> | <u><u>\$ 40,000</u></u> | <u><u>\$ 3,155,076</u></u> |

See accompanying Notes to Financial Statements.

**CALIFORNIA ASSOCIATION FOR BILINGUAL EDUCATION
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017**

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|------------------------------------|----------------------------|---------------------------|---------------------------|----------------------------|
| REVENUE | | | | |
| Conference Fees | \$ 3,187,710 | \$ - | \$ - | \$ 3,187,710 |
| Grants and Contributions | 53,879 | 25,621 | - | 79,500 |
| Government Grant | 579,565 | - | - | 579,565 |
| Membership Dues | 82,226 | - | - | 82,226 |
| Program Income | 958,672 | - | - | 958,672 |
| In-Kind Contributions | 63,935 | - | - | 63,935 |
| Publications and Promotional Sales | 30,433 | - | - | 30,433 |
| Investment Income | 846 | 3,127 | - | 3,973 |
| Total Revenue | <u>4,957,266</u> | <u>28,748</u> | <u>-</u> | <u>4,986,014</u> |
| EXPENSES | | | | |
| Program Services | 3,543,331 | - | - | 3,543,331 |
| General and Administrative | 947,647 | - | - | 947,647 |
| Fundraising | 28,598 | - | - | 28,598 |
| Total Expenses | <u>4,519,576</u> | <u>-</u> | <u>-</u> | <u>4,519,576</u> |
| INCREASE IN NET ASSETS | 437,690 | 28,748 | - | 466,438 |
| Net Assets - Beginning of Year | <u>1,587,213</u> | <u>9,190</u> | <u>40,000</u> | <u>1,636,403</u> |
| NET ASSETS - END OF YEAR | <u><u>\$ 2,024,903</u></u> | <u><u>\$ 37,938</u></u> | <u><u>\$ 40,000</u></u> | <u><u>\$ 2,102,841</u></u> |

See accompanying Notes to Financial Statements.

**CALIFORNIA ASSOCIATION FOR BILINGUAL EDUCATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2018**

| | Program Services | | | | | | | | | | |
|------------------------------------|-------------------|------------------|---------------------|--|-----------------------------------|------------------------|----------------------------|----------------------------|----------------------------|------------------|---------------------|
| | i3 & NPD Grants | Membership | Annual Conference | Para- Educators and Parents Conference | Professional Development Services | Other Program Services | Public Relations/ Advocacy | Sub-Total Program Services | General and Administration | Fundraising | Total |
| Salaries | \$ 336,563 | \$ 6,204 | \$ 558,441 | \$ 17,602 | \$ 256,980 | \$ 280,190 | \$ 21,570 | \$ 1,477,550 | \$ 301,766 | \$ 25,249 | \$ 1,804,565 |
| Fringe benefits | 34,849 | 599 | 55,309 | 1,700 | 26,584 | 29,553 | 2,084 | 150,678 | 28,561 | 2,439 | 181,678 |
| Payroll taxes | 26,912 | 515 | 45,815 | 1,461 | 21,014 | 22,649 | 1,790 | 120,156 | 22,635 | 2,096 | 144,887 |
| Temporary help | - | - | 4,649 | - | - | - | - | 4,649 | - | - | 4,649 |
| Food catering services | 888 | 4,844 | 228,402 | 132,866 | 57,809 | 2,311 | - | 427,120 | 2,360 | - | 429,480 |
| Travel, meals and lodging | 23,056 | 2,804 | 107,091 | 8,595 | 33,064 | 80,299 | 932 | 255,841 | 138,170 | - | 394,011 |
| Professional fees | - | - | - | - | - | - | - | - | 21,600 | - | 21,600 |
| Facility rental | - | - | 68,565 | 15,436 | 21,078 | 9 | - | 105,088 | 1,050 | - | 106,138 |
| Office & activity supplies | 7,242 | 2,496 | 13,291 | 267 | 7,862 | 33,163 | - | 64,321 | 19,745 | - | 84,066 |
| Equipment rental & repair | - | 204 | 126,065 | 10,119 | 492 | 150 | - | 137,030 | 26,542 | - | 163,572 |
| Reprographics, printing & copies | 6,082 | 9,504 | 40,729 | 694 | 11,557 | 12,522 | - | 81,088 | 2,839 | - | 83,927 |
| In-kind contribution expenses | - | - | 31,620 | - | - | - | - | 31,620 | 15,600 | - | 47,220 |
| Telephone | 2,091 | - | 21,304 | - | 1,856 | 2,782 | - | 28,033 | 29,540 | - | 57,573 |
| Speaker fees and travel | - | - | 40,179 | 2,000 | - | - | - | 42,179 | - | - | 42,179 |
| Depreciation | - | - | - | - | - | - | - | - | 106,186 | - | 106,186 |
| Bank fees and charges | - | 23 | 35,993 | 74 | 59 | 389 | - | 36,538 | 10,936 | - | 47,474 |
| Scholarships | - | 4,500 | 4,000 | - | - | 19,405 | - | 27,905 | - | - | 27,905 |
| Postage and mailing | - | 760 | 1,534 | 457 | 194 | 1,297 | - | 4,242 | 10,664 | - | 14,906 |
| Interest expense | - | - | - | - | - | - | - | - | 77,191 | - | 77,191 |
| Office building operating expenses | 1,218 | - | 4,200 | 104 | 2,051 | 2,120 | - | 9,693 | 109,041 | - | 118,734 |
| Costs of good sold | - | - | - | (3,350) | - | 19,608 | - | 16,258 | - | - | 16,258 |
| Insurance, taxes and licenses | - | - | 1,900 | - | - | - | - | 1,900 | 44,168 | - | 46,068 |
| Awards and gifts | 2,693 | - | 7,499 | - | 5,398 | 626 | - | 16,216 | 6,604 | - | 22,820 |
| Dues and subscriptions | 630 | 1,542 | - | - | - | - | 100 | 2,272 | 7,730 | - | 10,002 |
| Conference music show | - | - | 5,000 | - | - | - | - | 5,000 | - | - | 5,000 |
| Consultant Reimbursements | 887 | - | 1,501 | - | 11,598 | 1,517 | - | 15,503 | 5,596 | - | 21,099 |
| Outsides services | 214,771 | 4,311 | 162,682 | - | 310,422 | 97,780 | 69,000 | 858,966 | 332,157 | - | 1,191,123 |
| Seminars and education | 4,782 | - | 27 | - | 1,590 | 1,226 | - | 7,625 | 8,307 | - | 15,932 |
| Chapter rebates | - | 18,146 | - | - | - | - | - | 18,146 | - | - | 18,146 |
| Advertising and promotions | - | - | - | - | 1,503 | 784 | 250 | 2,537 | 1,992 | - | 4,529 |
| Indirect costs | 59,425 | - | - | - | - | 20,688 | - | 80,113 | (80,113) | - | - |
| Donations and Contributions | - | - | - | - | - | - | - | - | 1,012 | - | 1,012 |
| | <u>\$ 722,089</u> | <u>\$ 56,452</u> | <u>\$ 1,565,796</u> | <u>\$ 188,025</u> | <u>\$ 771,111</u> | <u>\$ 629,068</u> | <u>\$ 95,726</u> | <u>\$ 4,028,267</u> | <u>\$ 1,251,879</u> | <u>\$ 29,784</u> | <u>\$ 5,309,930</u> |

See accompanying Notes to Financial Statements.

**CALIFORNIA ASSOCIATION FOR BILINGUAL EDUCATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2017**

| | Program Services | | | | | | | | | | Total |
|------------------------------------|-------------------|------------------|---------------------|--|-----------------------------------|------------------------|----------------------------|----------------------------|----------------------------|------------------|---------------------|
| | i3 Grant | Membership | Annual Conference | Para- Educators and Parents Conference | Professional Development Services | Other Program Services | Public Relations/ Advocacy | Sub-Total Program Services | General and Administration | Fundraising | |
| Salaries | \$ 304,803 | \$ 5,951 | \$ 530,603 | \$ 16,885 | \$ 202,377 | \$ 233,402 | \$ 20,691 | \$ 1,314,711 | \$ 289,459 | \$ 24,220 | \$ 1,628,390 |
| Fringe benefits | 30,613 | 586 | 51,202 | 1,664 | 19,385 | 21,254 | 2,039 | 126,743 | 35,330 | 2,386 | 164,460 |
| Payroll taxes | 25,016 | 489 | 43,798 | 1,389 | 16,668 | 19,200 | 1,702 | 108,262 | 23,808 | 1,992 | 134,062 |
| Temporary help | - | - | 3,853 | - | - | - | - | 3,853 | - | - | 3,853 |
| Food catering services | - | 4,985 | 307,993 | 97,291 | 27,823 | 532 | - | 438,624 | 28,698 | - | 467,323 |
| Travel, meals and lodging | 40,860 | 856 | 80,855 | 15,661 | 36,369 | 77,690 | 5,525 | 257,815 | 149,172 | - | 406,987 |
| Professional fees | - | - | - | - | - | - | - | - | 29,200 | - | 29,200 |
| Facility rental | - | - | - | 7,887 | 11,179 | - | - | 19,067 | 1,150 | - | 20,217 |
| Office & activity supplies | 7,168 | 18,713 | 50,336 | 29 | 11,524 | 13,611 | 238 | 101,619 | 14,320 | - | 115,939 |
| Equipment rental & repair | 20 | - | 161,637 | 7,993 | 3,870 | - | - | 173,520 | 56,140 | - | 229,660 |
| Reprographics, printing & copies | 5,252 | 7,070 | 33,288 | 70 | 6,904 | 12,626 | - | 65,211 | 3,769 | - | 68,979 |
| In-kind contribution expenses | - | - | 63,935 | - | - | - | - | 63,935 | - | - | 63,935 |
| Telephone | 911 | - | 1,812 | - | 727 | 1,052 | 10 | 4,512 | 29,493 | - | 34,004 |
| Speaker fees and travel | - | - | 31,773 | 2,459 | 4,000 | - | - | 38,233 | - | - | 38,233 |
| Depreciation | - | - | - | - | - | - | - | - | 44,343 | - | 44,343 |
| Bank fees and charges | 144 | - | 40,416 | - | 36 | (38) | - | 40,558 | 6,595 | - | 47,153 |
| Scholarships | - | 4,680 | 4,000 | - | - | 11,324 | - | 20,004 | - | - | 20,004 |
| Postage and mailing | 43 | 2,271 | 5,496 | 2,615 | 769 | 1,378 | - | 12,573 | 6,851 | - | 19,424 |
| Interest expense | - | - | - | - | - | - | - | - | 2,225 | - | 2,225 |
| Office building operating expenses | - | - | 7,976 | - | 273 | 489 | - | 8,738 | 51,762 | - | 60,500 |
| Costs of good sold | - | - | 324 | 11,726 | 694 | 13,408 | - | 26,152 | - | - | 26,152 |
| Insurance, taxes and licenses | - | - | - | - | 478 | - | - | 478 | 15,931 | - | 16,409 |
| Awards and gifts | 952 | - | 7,130 | 324 | 1,471 | 226 | - | 10,103 | 5,569 | - | 15,672 |
| Dues and subscriptions | 158 | 1,206 | 1,560 | - | - | 158 | 1,236 | 4,317 | 1,090 | - | 5,407 |
| Conference music show | - | - | 5,500 | - | - | - | - | 5,500 | - | - | 5,500 |
| Consultant Reimbursements | 1,582 | - | 856 | - | 24,174 | - | - | 26,612 | 9,839 | - | 36,451 |
| Outsides services | 113,806 | 4,752 | 130,737 | - | 292,959 | 6,735 | 69,576 | 618,565 | 175,101 | - | 793,666 |
| Seminars and education | 3,589 | - | 1,226 | - | 1,389 | 1,308 | - | 7,512 | 8,344 | - | 15,856 |
| Advertising and promotions | 1,750 | - | - | - | 1,205 | - | 250 | 3,205 | 1,355 | - | 4,560 |
| Indirect costs | 42,900 | - | - | - | - | - | - | 42,900 | (42,900) | - | - |
| Donations and Contributions | - | - | - | - | - | - | 12 | 12 | 1,000 | - | 1,012 |
| | <u>\$ 579,565</u> | <u>\$ 51,560</u> | <u>\$ 1,566,306</u> | <u>\$ 165,993</u> | <u>\$ 664,274</u> | <u>\$ 414,354</u> | <u>\$ 101,278</u> | <u>\$ 3,543,331</u> | <u>\$ 947,647</u> | <u>\$ 28,598</u> | <u>\$ 4,519,576</u> |

See accompanying Notes to Financial Statements.

**CALIFORNIA ASSOCIATION FOR BILINGUAL EDUCATION
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2018 AND 2017**

| | 2018 | 2017 |
|---|--------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in Net Assets | \$ 1,052,235 | \$ 466,438 |
| Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities: | | |
| Depreciation | 106,186 | 44,343 |
| Realized and Unrealized (Gains) Losses on Investments | (335) | 5,847 |
| Gain on Sale of Assets | (678,622) | - |
| Changes in Assets and Liabilities: | | |
| Accounts Receivable | (167,725) | (6,771) |
| Contributions Receivable | (429,000) | - |
| Grants Receivable | (26,262) | 66,305 |
| Inventories | (745) | 3,933 |
| Prepaid Expenses and Other Assets | (58,718) | (30,003) |
| Accounts Payable and Accrued Expenses | 27,005 | 52,209 |
| Deferred Revenue | 220,930 | (21,216) |
| Net Cash Provided by Operating Activities | 44,949 | 581,085 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of Investments | (1,866) | (64,858) |
| Proceeds from Sale of Investments | 279,445 | 445,555 |
| Proceeds from Redemption of Certificates of Deposit | - | 98,957 |
| Purchases of Property and Equipment | (3,940,913) | - |
| Proceeds from Sale of Property and Equipment | 1,000,000 | - |
| Net Cash Provided (Used) by Investing Activities | (2,663,334) | 479,654 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from Note Payable | 2,486,000 | - |
| Principal Payment of Notes Payable | (55,179) | (46,721) |
| Net Cash Provided by Investing Activities | 2,430,821 | (46,721) |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (187,564) | 1,014,018 |
| Cash and Cash Equivalents - Beginning of Year | 1,299,530 | 285,512 |
| CASH AND CASH EQUIVALENTS - END OF YEAR | \$ 1,111,966 | \$ 1,299,530 |
| SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION | | |
| Cash Paid During the Year for Interest | \$ 77,191 | \$ 5,591 |

See accompanying Notes to Financial Statements.

**CALIFORNIA ASSOCIATION FOR BILINGUAL EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The California Association for Bilingual Education (CABE) is a nonprofit organization incorporated in 1976 to promote bilingual education and quality educational experiences for all students in California. CABE has approximately 4,000 members with state wide chapters and affiliates, all 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, Educational Equality and 21st Century Success for All."

To support this central vision of biliteracy, educational equity, and 21st century success 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 college, career, and 21st century ready and prepared to live their lives to their full potential.

As the premier organization focused on the education of California's English Learners, CABE will judge itself as successful to the degree that CABE assists its 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 focuses 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 the above, CABE has established the following programs:

Professional Development Conferences and Institutes – CABE is the premier organization for professional development on the education of English Learners in California. This professional development program (4 regional conferences and an annual statewide conference) is for educators, parents, and other community members.

Project 2INSPIRE – The goal of Project 2INSPIRE is to provide high quality education, resources, and professional and leadership development to parents with an emphasis on outreach and services to parents of most disadvantaged students, including parents of low income, minority, and limited English proficient students.

**CALIFORNIA ASSOCIATION FOR BILINGUAL EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Organization (Continued)

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 non-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 2018 and 2017.

In addition, CABE has about 20 statewide chapters. These chapters have minimal assets and activities during the year and are not included in these financial statements.

Accordingly, the activities of the affiliates and chapters are not consolidated with CABE for the years ended June 30, 2018 and 2017.

Financial Statement Presentation

The financial statements of CABE have been prepared in conformity to accounting principles generally accepted in the United States of America. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of CABE and changes therein have been classified and are reported as follows:

Unrestricted Net Assets – Net assets not subject to donor-imposed stipulations; donor-restricted contributions whose restrictions are met in the same reporting period; and net assets designated by the board of directors as a reserve fund.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of CABE and/or by the expiration of stipulated time.

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that they be maintained in perpetuity by CABE. Generally, the donors of these assets permit CABE to use all or part of the income earned on related investments for general or specific purposes.

**CALIFORNIA ASSOCIATION FOR BILINGUAL EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

Cash and cash equivalents include cash in checking account and temporary cash investments. CAFE maintains its cash in banks, which, at times, may exceed Federal Deposit Insurance Corporation insured limits. CAFE has not experienced any losses in such accounts. Management of CAFE believes it is not exposed to any significant risk in its cash accounts.

Contributions

Unconditional promises to give (pledges) are to be recorded as receivables and revenues. CAFE records unconditional promises to give expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. All the contributions receivable as of June 30, 2018 are expected to be collected within one year.

For financial reporting purposes, CAFE distinguishes between contributions of unrestricted assets, temporarily restricted assets, and permanently restricted assets. Contributions on which donors have imposed restrictions which limit the use of the donated assets are reported as restricted. When such donor-imposed restrictions are met in subsequent reporting periods, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions. Contributed assets, which are subject to perpetual donor restrictions and from which only the current income may be used, are classified as permanently restricted assets. Contributed assets for which donors have not stipulated restrictions are reported as unrestricted support.

Grants Receivable

Grants receivable consists of outstanding grants from the government which are collectible within one year.

Inventories

Inventories consist of published books, tapes, CD's and other promotional items held for sale to CAFE members and the general public. Inventory is stated at the lower of cost or market. Cost is determined using FIFO (first in, first out). Inventory reserves are recorded for inventory items that have become excess or obsolete or are no longer saleable and for inventory that has a market price less than the carrying value in inventory.

Investments

Investments include assets restricted by donors for endowment. Cash and cash equivalents included in investments are carried at deposit amount and the remaining investments are carried at fair value. Unrealized gains or losses on investments are reflected in the statement of activities.

**CALIFORNIA ASSOCIATION FOR BILINGUAL EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment are recorded at cost or, if donated, at estimated fair value at the date of donation. The cost of property and equipment is depreciated over the estimated useful lives of the related assets using the straight-line method. Maintenance and repairs are charged to expense as incurred. CABE generally capitalizes assets with an original cost over \$2,500. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets as follows:

| | |
|------------------------------------|------------------|
| 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 |

Impairment of Long-Lived Assets

CABE reviews the carrying amount of its long-lived assets for possible impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Impairment losses, if any, are recognized when estimated future cash flows (undiscounted and without interest charges) derived from such assets are less than their carrying values. Management believes no such impairment occurred during the years ended June 30, 2018 and 2017.

Revenue and Expense Recognition

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or by law.

Conference Fees

Conference fees are recognized in the period the conference was held. Conference fees received in advance are recorded as part of unearned income in the statement of financial position.

Membership Dues

Membership dues are amortized over the period to which the dues relate, which is typically 12 months. 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.

**CALIFORNIA ASSOCIATION FOR BILINGUAL EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In-Kind Contributions

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that 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 Grant

Revenue from cost reimbursable grants is recorded to the extent of expenses 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 an advance, whichever is applicable.

Fair Value

Fair Value Standards (ASC 820-10) establishes a hierarchal disclosure framework which prioritizes and ranks the level of market price observability used in measuring fair value. This hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three levels:

Level 1 – Quoted market prices are available in active market for identical assets or liabilities as of the reporting date.

Level 2 – Pricing inputs are other than 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. A significant adjustment to a Level 2 input could result in the Level 2 measurement becoming a Level 3 measurement.

Level 3 – Pricing inputs are unobservable and shall be used to measure fair value to the extent that observable inputs are not available. The inputs into the determination of fair value are based upon the best information available and require significant management judgment or estimation.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

**CALIFORNIA ASSOCIATION FOR BILINGUAL EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Credit Concentration

Financial instruments that potentially subject CABE to concentration of credit risk are cash and certificate of deposits. CABE's cash and certificates of deposit are held by recognized financial institutions. At times amount may exceed FDIC insurance limits.

Concentration of credit risks with respect to accounts receivable and grants receivable are limited, due to CABE's historical collection experience as the majority of CABE's receivables consist of earned fees from contract programs granted by governmental agencies. CABE continually monitors its receivables and establishes valuation reserves as considered appropriate. As of June 30, 2018, one donor represented 87% of the total contributions receivable. For the years ended June 30, 2018 and 2017, one donor accounted for 75% and 24% of the total annual gifts and contributions, respectively.

Advertising Costs

Advertising costs are expensed as incurred.

Income Taxes

CABE has received favorable determination letters indicating it is generally exempt from Federal income taxes and California franchise taxes as an organization described in Section 501(c)(3) of the Internal Revenue Code.

Accounting principles generally accepted in the United States of America provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes all of the positions taken by CABE are more likely than not to be sustained upon examination.

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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Subsequent Events

Subsequent events have been evaluated through October 23, 2018, the date that these financial statements were available to be issued.

Reclassifications

Certain amounts in prior year have been reclassified for comparative purposes to conform to the presentation in current year. The reclassification have no effect on the previously reported net loss or net assets.

**CALIFORNIA ASSOCIATION FOR BILINGUAL EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements

ASU 2016-14 Not-For-Profit Entities (Topic 958), *Presentation of Financial Statements of Not-for-Profit Entities*. This standard was issued to improve the information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. It is effective for fiscal years beginning after December 15, 2017 (e.g., 6/30/2019). Management will be evaluating the effects of this new standard.

ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. It is effective for fiscal years beginning after December 15, 2018 (e.g., 6/30/2020). Management will be evaluating the effects of this new standard.

ASU 2018-08 Not-For-Profit Entities (Topic 958), *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard distinguishes between contributions and exchange transactions and assists in determining which guidance to apply. For contributions received, the effective date is for annual periods beginning after December 15, 2018; for contributions made, the effective date is for annual periods beginning after December 15, 2019. Management will be evaluating the effects of this new standard.

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02 *Leases (Topic 842)*. This update increases transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. ASU 2016-02 is effective for fiscal years beginning after December 15, 2019. Management will be evaluating the effects of this new standard

NOTE 2 CONTRIBUTIONS RECEIVABLE

| | 2018 | 2017 |
|-------------------------------|------------|------|
| The Sobrato Family Foundation | \$ 375,000 | \$ - |
| The California Endowment | 50,000 | - |
| Other | 4,000 | - |
| | \$ 429,000 | \$ - |

Contributions receivable as of June 30, 2018 are expected to be collected during the year ending June 30, 2019.

CALIFORNIA ASSOCIATION FOR BILINGUAL EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 3 INVESTMENTS

CABE's investments consisted of the following at June 30:

| | 2018 | 2017 |
|--|------------------|-------------------|
| Cash and Cash Equivalents | \$ 15,093 | \$ 8,249 |
| Equity Mutual Funds | 43,224 | 14,751 |
| Debt Mutual Funds | - | 29,317 |
| Corporate Fixed Income Debt Securities | - | 283,244 |
| Total | <u>\$ 58,317</u> | <u>\$ 335,561</u> |

Investment income consists of the following for the years ended June 30:

| | 2018 | 2017 |
|--|-----------------|-----------------|
| Interest and Dividends | \$ 1,987 | \$ 9,820 |
| Realized and Unrealized Gains (Losses) | 335 | (5,847) |
| Total | <u>\$ 2,322</u> | <u>\$ 3,973</u> |

NOTE 4 FAIR VALUES

The following table sets forth by level within the fair value hierarchy of CABE's investments that were accounted for at fair value on a recurring basis as of June 30, 2018 and 2017:

| | 2018 | | | |
|--|------------------|-------------------|-------------|-------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Equity Mutual Funds | <u>\$ 43,224</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 43,224</u> |
| | 2017 | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| Equity Mutual Funds | \$ 14,751 | \$ - | \$ - | \$ 14,751 |
| Debt Mutual Funds | 29,317 | - | - | 29,317 |
| Corporate Fixed Income Debt Securities | - | 283,244 | - | 283,244 |
| Total | <u>\$ 44,068</u> | <u>\$ 283,244</u> | <u>\$ -</u> | <u>\$ 327,312</u> |

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

| | 2018 | 2017 |
|------------------------------------|---------------------|-------------------|
| Land | \$ 509,144 | \$ 118,725 |
| Buildings | 3,359,772 | 440,000 |
| Building Improvements | 71,997 | 62,270 |
| Furniture, Fixtures, and Equipment | - | 315,539 |
| Software | 12,000 | 12,000 |
| Total Property and Equipment | <u>3,952,913</u> | <u>948,534</u> |
| Accumulated Depreciation | <u>(100,809)</u> | <u>(609,779)</u> |
| Total Property and Equipment, Net | <u>\$ 3,852,104</u> | <u>\$ 338,755</u> |

**CALIFORNIA ASSOCIATION FOR BILINGUAL EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 5 PROPERTY AND EQUIPMENT (CONTINUED)

In November 2017 CABE purchased new office building in Walnut, CA at \$3,868,916, including land at \$509,144 and performed capital improvements. The old building in Covina, CA and furniture were sold in May 2018 for \$1,000,000 resulting in a capital gain of \$678,622.

NOTE 6 NOTES PAYABLE

In November 2017, CABE entered into an agreement with Bank of West on provision of promissory note with a principal amount of \$2,486,000, maturing on November 10, 2037. Fixed rate interest is set at 4.66%. Starting from December 10, 2017, substantially equal monthly installments of principal and interest are payable to the bank through maturity date.

As security for its obligations, CABE provided a deed of trust on its real property located in LA county, CA and has pledged all of its assets, as defined.

Future principal payments of long-term debt as of June 30, 2018, are summarized as follows:

| <u>Year Ending June 30,</u> | <u>Amount</u> |
|-----------------------------|----------------------------|
| 2019 | \$ 79,042 |
| 2020 | 82,555 |
| 2021 | 86,844 |
| 2022 | 91,037 |
| 2023 | 95,433 |
| Thereafter | <u>1,999,984</u> |
| Total | <u><u>\$ 2,434,895</u></u> |

CABE totally paid off its note payable balance from prior year in July 2017.

In January 2018, CABE entered into an agreement with Bank of West on provision of variable rate Line of credit with a principal amount of \$500,000, maturing on January 18, 2020. Interest is calculated based on the Bank of West Prime Rate, which currently is 4.5% adjusted with a margin of 0.5%. The initial interest rate is set at 5% annually. Any accrued interest together with total outstanding principal balance shall be due and payable in full on maturity date.

NOTE 7 RETIREMENT PLAN

CABE has a 403(b) defined contribution plan under which eligible employees may make salary reduction tax-deferred contributions up to the statutory maximum. Employee eligibility for CABE's contribution is based upon years of service. CABE contributes 1% of an eligible employee's salary during the first year of service and 4% thereafter. An employer's contribution is fully vested after the third year of service, as defined. For the years ended June 30, 2018 and 2017, CABE contributed \$49,086 and \$43,441, respectively, to the retirement plan.

**CALIFORNIA ASSOCIATION FOR BILINGUAL EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 8 COMMITMENTS AND CONTINGENCIES

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

NOTE 9 DUAL IMMERSION PROGRAM IMPLEMENTATION AND PARENT ENGAGEMENT GRANT

In 2018 CABE was awarded by US Department of Education a grant on implementation of Dual Immersion and Parent Engagement Program. The project implementation period is set from September 2017 through August 2022 and each annual period activity is budgeted for \$549,997. For the year ended June 30, 2018, CABE's revenue under this grant amounted to \$331,884.

NOTE 10 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of donor-restricted amounts received and/or pledged, which limit the use of the donated assets. Temporarily restricted net assets are composed of the following at June 30:

| | 2018 | 2017 |
|-----------------------------------|------------|-----------|
| Plaza Comunitaria | \$ 9,040 | \$ 25,621 |
| Accumulated Earnings on Endowment | 13,500 | 12,317 |
| The California Endowment | 50,604 | - |
| Sobrato Family Foundation | 577,477 | - |
| Total | \$ 650,621 | \$ 37,938 |

Net assets at \$25,621 released from donor restrictions by the passage of time, incurring expenses satisfying the restricted purposes or by appropriation relate to Plaza Comunitaria project.

NOTE 11 PERMANENTLY RESTRICTED NET ASSETS

At June 30, 2018 and 2017, permanently restricted net assets consist of the Penichet Trust Endowment fund. The earnings on the fund are restricted for scholarship.

**CALIFORNIA ASSOCIATION FOR BILINGUAL EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 12 ENDOWMENT

CABE's endowment consists of a donor restricted fund. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions.

Interpretation of Relevant Law

The board of directors of CABE has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, CABE classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by CABE in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, CABE 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 the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the CABE
- (7) The investment policies of the CABE

Changes in endowments are as follows at June 30:

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|-------------------------------------|---------------------|-----------------------------------|-----------------------------------|-------------------------|
| Endowment Net Assets, July 1, 2016 | \$ - | \$ 9,190 | \$ 40,000 | \$ 49,190 |
| Investment Income | - | 3,127 | - | 3,127 |
| Endowment Net Assets, June 30, 2017 | <u>-</u> | <u>12,317</u> | <u>40,000</u> | <u>52,317</u> |
| Investment Income | - | 1,183 | - | 1,183 |
| Endowment Net Assets, June 30, 2018 | <u><u>\$ -</u></u> | <u><u>\$ 13,500</u></u> | <u><u>\$ 40,000</u></u> | <u><u>\$ 53,500</u></u> |

There was no appropriation for releases during the years ended June 30, 2018 and 2017.