



California Association for Bilingual Education

**California Association for Bilingual Education
Audited Financial Statements
For the Years Ended June 30, 2014 and 2013
With Report of Independent Auditors**

An Independently Owned Member
McGLADREY ALLIANCE



California Association for Bilingual Education
Audited Financial Statements
For the Year Ended June 30, 2014 and 2013
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Report of Independent Auditors

Board of Directors California Association for Bilingual Education

Report on the Financial Statements

We have audited the accompanying financial statements of the California Association for Bilingual Education (the Organization), which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities, 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the California Association for Bilingual Education as of June 30, 2014 and 2013, 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.



Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses are presented for purpose of additional analysis and are not required parts of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated DATE OPEN on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Los Angeles, California
DATE OPEN

**California Association for Bilingual Education
Statements of Financial Position**

| | | June 30 | |
|---|----|---------------------|---------------------|
| | | 2014 | 2013 |
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | \$ | 1,233,824 | \$ 616,656 |
| Accounts receivable | | 107,906 | 33,783 |
| Grants receivable | | 117,304 | 58,434 |
| Inventory | | 82,524 | 96,780 |
| Investments | | 48,887 | 43,387 |
| Prepaid expenses and other current assets | | 6,748 | 4,558 |
| Total current assets | | 1,597,193 | 853,598 |
| Property and equipment | | | |
| Land | | 118,725 | 118,725 |
| Building and improvements | | 488,645 | 488,645 |
| Furniture and equipment | | 308,669 | 295,627 |
| | | 916,039 | 902,997 |
| Less accumulated depreciation | | (500,479) | (476,964) |
| Property and equipment, net | | 415,560 | 426,033 |
| Total assets | | \$ 2,012,753 | \$ 1,279,631 |
| LIABILITIES AND NET ASSETS | | | |
| Current liabilities | | | |
| Current portion of note payable | \$ | 40,249 | \$ 37,323 |
| Accounts payable and accrued expenses | | 383,261 | 94,065 |
| Unearned income | | 40,399 | 35,324 |
| Total current liabilities | | 463,909 | 166,712 |
| Noncurrent liabilities | | | |
| Note payable, net of current portion | | 94,133 | 134,366 |
| Total liabilities | | 558,042 | 134,366 |
| Net assets | | | |
| Unrestricted | | 1,296,117 | 819,959 |
| Temporarily restricted | | 118,594 | 118,594 |
| Permanently restricted | | 40,000 | 40,000 |
| Total net assets | | 1,454,711 | 978,553 |
| Total liabilities and net assets | | \$ 2,012,753 | \$ 1,279,631 |

**California Association for Bilingual Education
Statements of Activities**

| | Years ended June 30 | |
|---|---------------------|-------------------|
| | 2014 | 2013 |
| Changes in unrestricted assets | | |
| Revenues, gains and other supports | | |
| Conferences | \$ 2,069,134 | \$ 1,456,119 |
| Grants from private foundations | 257,400 | 287,500 |
| Government grant | 566,943 | 263,615 |
| Membership dues | 80,545 | 88,261 |
| Program income | 245,755 | 147,024 |
| In-kind contributions | 46,340 | 109,591 |
| Cash contributions | 8,554 | 18,242 |
| Publications and promotional sales | 15,645 | 9,432 |
| Interest and other income | 7,099 | 55,849 |
| Total unrestricted revenues | 3,297,415 | 2,435,633 |
| Expenses | | |
| Program services | 2,223,407 | 1,843,532 |
| Support services | 597,850 | 668,093 |
| Total expenses | 2,821,257 | 2,511,625 |
| Change in unrestricted net assets | 476,158 | (75,992) |
| Changes in temporarily restricted net assets | - | - |
| Changes in permanently restricted net assets | - | - |
| Change in net assets | 476,158 | (75,992) |
| Net assets at beginning of year | 978,553 | 1,054,545 |
| Net assets at end of year | \$ 1,454,711 | \$ 978,553 |

**California Association for Bilingual Education
Statements of Cash Flows**

| | Years ended June 30 | |
|---|----------------------------|-------------------|
| | 2014 | 2013 |
| Cash flows from operating activities | | |
| Change in net assets | \$ 476,158 | \$ (75,992) |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: | | |
| Depreciation | 23,514 | 26,445 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (74,123) | 18,714 |
| Grants receivable | (58,870) | - |
| Inventory | 14,256 | (55,374) |
| Prepaid expenses and other current assets | (2,190) | 7,333 |
| Accounts payable and accrued expenses | 289,198 | (58,407) |
| Unearned income | 5,074 | (36,559) |
| Net cash provided by (used in) operating activities | 673,017 | (173,840) |
| Cash flows from investing activities | | |
| Purchase of property and equipment | (13,042) | (8,048) |
| Interest income on investments | (5,500) | - |
| | (18,542) | (8,048) |
| Cash flows from financing activities | | |
| Payment of note payable | (37,307) | (34,644) |
| Net change in cash and cash equivalents | 617,168 | (216,532) |
| Cash and cash equivalents at beginning of year | 616,656 | 833,188 |
| Cash and cash equivalents at end of year | \$ 1,233,824 | \$ 616,656 |
| Supplemental disclosures of cash flow information | | |
| Cash paid during the year for: | | |
| Interest | \$ 11,613 | \$ 14,302 |

See notes to financial statements.

NOTE 1 NATURE OF BUSINESS

The California Association for Bilingual Education (“CABE”) is a 501(c)(3) nonprofit organization incorporated in 1976 to promote bilingual education and quality educational experiences for all students in California. CABE has approximately 2,000 members with over fifty chapters and affiliates, all working to promote equality 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: “Biliteracy, Educational Equality and 21st Century Success for All.” This vision is based on the premise that students in the 21st century, in order to succeed and be powerful forces in our communities, have to be:

- Academically prepared
- Multilingual
- Multiculturally competent
- Technology and information literate
- Civically oriented
- Active advocates for their communities

NOTE 2 DESCRIPTIONS OF PROGRAM SERVICES

CABE is an advocacy organization whose mission is to promote equality and educational achievement for students with diverse cultural, racial, and linguistic backgrounds and for whom language poses an additional barrier to schooling and full participation in our educational system and society. CABE’s key initiatives include: 1) a focus on student achievement; 2) being the premier source of professional development for educators and parents who work with students learning English (over 4,000 individuals attended annual and regional conferences in 2013-2014); 3) working with legislators and policymakers to ensure educational equality and resources for English learners (as key members in a coalition that has been successful in passing legislation and increasing school resources for English language development); 4) involvement with educational, business, and community partnerships; 5) being financially sound to carry out all key objectives of the organization; and, 6) full involvement of our members in school and advocacy initiatives.

In promoting the above, CABE has established the following programs:

Professional Development Conferences and Institutes: CABE is a premier organization for professional development on the education of English learners in California. This professional development program (three regional conferences and two annual statewide conferences) is for educators, parents, and other community members.

NOTE 2 DESCRIPTIONS OF PROGRAM SERVICES (CONTINUED)

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

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. This is a new program began in July, 2013.

CABE has four affiliated non-profit entities operating under CABE's license:

2-Way CABE: The 2-Way CABE Affiliate works to support the implementation of dual language immersion and other biliteracy programs in schools through professional development, presentations, resources and support. 2Way CABE is very dedicated to advocating for and assisting with the planning and implementation of quality two-way bilingual immersion (K-12 grade programs that provide all students the opportunity to become fully bilingual). This is an active entity.

California Association of Parents for Bilingual Education (CAPBE): This affiliate works to inform parents on educational programs and practices that benefit their children academically. This is a dormant entity.

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. This is an active entity.

California Association of Secondary Bilingual Education (CASBE): This affiliate works to improve education attainment of secondary English learners who come to California schools with little or no educational backgrounds in their home countries, as well as those that have educational backgrounds but lack the English skills to fully participate in the education program. This is a dormant entity.

CABE and its affiliates are primarily supported by income received from conferences contract for services, grants and meetings. A portion of CABE's funding for the year ended June 30, 2014 originated from the federal government.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Reporting

The financial statements are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles, and in conformity with FASB Accounting Standards Codification (ASC) Topic 958, *Not-for-Profit Entities*.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Under the provisions of FASB ASC Topic 958, net assets and changes in net assets shall be categorized and reported within three groups; those groups are Unrestricted Net Assets, Temporarily Restricted Net Assets, and Permanently Restricted Net Assets. Net assets that shall be deemed either temporarily or permanently restricted are derived from contributions from a donor who specifies such restrictions.

Affiliated Entities

CABE has four affiliated entities operating under its license, which have minimal assets and have no activities during 2014 and 2013. Accordingly, the financial statements for the years ended June 30, 2014 and 2013 consist of the accounts of CABE.

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

Income Tax Status

CABE is exempt from federal income tax, California tax, federal unemployment tax, and various other federal, state and local taxes under Section 501(c)(3) of the Internal Revenue Code and similar state provisions.

As required by FASB ASC Topic 740, *Income Taxes*, CABE recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. CABE does not believe its financial statements include any uncertain tax positions.

Cash and Cash Equivalents

Cash and cash equivalents are unrestricted cash in banks, certificates of deposits, and investment instruments with original maturities of twelve months or less. CABE's cash equivalents at June 30, 2014 and 2013 amounted to \$1,233,824 and \$616,656 respectively.

Accounts Receivable

Accounts receivable consist of receivables recorded upon recognition of revenue, reduced by reserves for estimated bad debts and refunds. Accounts receivable are recorded at the invoiced amount and do not bear interest. The allowance for doubtful accounts is determined based on historical write-off experience, current customer or donor information and other relevant factors, including specific identification of past due accounts. Accounts are charged off against the allowance when CABE believes they are uncollectible.

Pledges Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected beyond one year are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk adjusted interest rates applicable to the years in which the promises are received. Amortization of the discount is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventory

Inventory consists of published books, tapes, CD's and other promotional items held for sale to CABA 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 consist of available-for-sale securities recorded at the fair value of the securities as of June 30, 2014 and 2013 amounted to \$48,887 and \$43,387 respectively. The fair values were based on quoted market prices in active markets for identical assets, a level 1 input.

Property and Equipment

Property and equipment are recorded at cost or, if donated, at estimated fair value at the date of donation. The costs of additions and betterments are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. CABA generally capitalizes assets with an original cost over \$500. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the statement of activities.

The provision for depreciation is computed using the straight-line method over the estimated useful lives of the depreciable assets as follow:

| | |
|-----------------------------------|---------------|
| Building and improvements | 10-27.5 years |
| Furniture, fixtures and equipment | 3-10 years |

The estimated service life of the assets for depreciation purposes may be different than their actual economic useful lives. Fully depreciated assets are retained in the accounts until their retirement.

Functional Allocation of Expenses

Salaries and related expenses are allocated to program services and supporting services on the basis of the actual time devoted to those activities. Other expenses have been charged directly or allocated using various bases as determined by management.

In certain instances, common expenses are incurred, which support the activities performed under several grants. In absence of agreements to the contrary, such expenses are allocated on the basis that appears most reasonable to management.

In-kind Contributions

In-kind contributions, including volunteer services and other non-cash contributions, when required by generally accepted accounting principles are reflected as contributions and expenses at their estimated fair values when received.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

Contributions primarily include unconditional transfers of cash or other assets. Contributions, whether temporarily restricted or unrestricted, are recognized as revenue when they are received.

Revenue Recognition

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.

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.

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.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include determination of accounts receivable allowance, inventory reserves and depreciation. Actual results could differ from those estimates.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to the magnitude of CABE's investment in a single issuer. The significant portion of CABE's accounts receivable balance outstanding at June 30, 2014 and 2013 consists of government contract receivables due from county, state, and federal granting agencies. Concentration of credit risks with respect to trade receivables are limited, as the majority of CABE's receivables consist of earned fees from contract programs granted by governmental agencies.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Custodial Credit Risk

Custodial credit risk is the risk that CABE will not be able to (a) recover deposits if the depository financial institution fails, or (b) recover the value of investments or collateral securities that are in the possession of an outside party if the counterparty to the investment or deposit transaction fails.

Financial instruments that potentially subject CABE to credit risk are cash deposits with banks and other financial institutions that are in excess of the federally insured limit of \$250,000. CABE has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

CABE holds investments in the form of short-term money market investments and mutual funds. The Board of Directors routinely reviews market values of such investments.

Fair Value Measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. CABE reports its assets and liabilities that are measured at fair value using a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy maximizes the use of observable inputs and minimizes the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

- Level 1 Quoted prices in active markets for identical assets or liabilities.

- Level 2 Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

- Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

An asset's or liability's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. At each reporting period, CABE performs a detailed analysis of its assets and liabilities that are measured at fair value. All assets and liabilities for which the fair value measurement is based on significant unobservable inputs or instruments which trade infrequently and therefore have little or no price transparency are classified as Level 3.

California Association for Bilingual Education
Notes to Financial Statements
Years ended June 30, 2014 and 2013

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CABE's financial instruments include primarily accounts receivable, investments, accounts payable and accrued liabilities. Because of the short-term nature of the accounts receivable, investments, accounts payable and accrued liabilities, the carrying amounts of these assets and liabilities approximate their fair value, which require no further disclosure.

NOTE 4 NOTE PAYABLE

CABE has a long-term note payable to a commercial bank, collateralized by CABE's real property, with monthly payments of \$4,079 including interest at 7.5%, due in July 2017. The outstanding balance of the note payable at June 30, 2014 follows:

| | |
|----------------------|------------------|
| Principal amount | \$ 134,366 |
| Less current portion | <u>(40,249)</u> |
| | <u>\$ 94,133</u> |

Annual maturities of long-term debt are as follows:

| Year ending June 30 | |
|---------------------|------------------|
| 2016 | \$ 43,357 |
| 2017 | 46,722 |
| Thereafter | <u>4,054</u> |
| | <u>\$ 94,133</u> |

Interest payment made on debt obligations amounted to \$11,613 in 2014 and \$14,302 in 2013.

NOTE 5 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 at June 30, 2014 and 2013 are composed of the following:

| | |
|------------------------------------|-------------------|
| Restricted as to time | \$ 50,000 |
| Scholarship | 51,442 |
| Reserve for fund development | 13,557 |
| Reserve for Richard Cazares memory | <u>3,575</u> |
| | <u>\$ 118,574</u> |

NOTE 6 PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets represent contributions where the donor has stipulated that the principal is to remain intact in perpetuity and only the interest and dividends therefrom may be expended for general purposes. At June 30, 2014, permanently restricted net assets amounted to \$40,000.

In 2009, CABA's Board of Directors has determined that CABA's permanently restricted net assets meet the definition of endowment funds under Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA"). Based on CABA's interpretation of UPMIFA, CABA has reviewed all of its endowment funds and considers that they are currently being appropriately reflected in accordance with the accounting standards.

CABA's endowment fund consists of donor-restricted endowment funds and cash in bank. As required by the accounting standards, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions and are valued at historical cost.

Endowment Net Assets as of June 30, 2014 and 2013 amounted to \$40,000. There were no changes in endowment net assets for the years ended June 30, 2014 and 2013.

NOTE 7 COMMITMENTS AND CONTINGENCIES

CABA leases certain equipment under various operating leases which will expire in 2014. Rental expense for the year ended June 30, 2014 and 2013 related to these leases amounted to \$12,613 and \$15,531.

From time to time, CABA is involved in various claims, disputes and actions arising in the normal course of business. In the opinion of management, the ultimate disposition of those matters will not have a material adverse effect on CABA's financial position or results of activity.

NOTE 8 PENSION PLAN

CABA has a defined contribution plan, which includes all employees who meet eligibility requirements, as defined. Employee eligibility for CABA's contribution is based upon years of service. CABA contributes 1% of an eligible employee's salary during the first year of service and 2% thereafter. An employer's contribution is vested after three years. Contributions for the year ended June 30, 2014 and 2013 amounted to \$15,538 and \$23,914 respectively.

NOTE 9 SUBSEQUENT EVENTS

Subsequent to June 30, 2014 and through DATE OPEN, the date through which management evaluated subsequent events and on which the financial statements were issued, CABE did not identify any subsequent events that require disclosures or adjustments to the financial statements other than the matters described above.