

Financial Statements

California Association of Professional Employees

December 31, 2020 and 2019

CALIFORNIA ASSOCIATION OF PROFESSIONAL EMPLOYEES

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Haynie & Company

(a professional corporation)

Certified Public Accountants and Management Consultants

4910 Campus Drive Newport Beach, California 92660-2119 (949) 724-1880 FAX (949) 724-1889

Independent Auditor's Report

To the Board of Directors

California Association of Professional Employees

Los Angeles, California

We have audited the accompanying financial statements of California Association of Professional Employees (a nonprofit organization), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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 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.



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Independent Auditors' Report on Accompanying Information

To the Board of Directors

California Association of Professional Employees

Los Angeles, California

Our report on our audit of the basic financial statements of the **California Association of Professional Employees** for 2013 appears on page 3. We conducted our audit in accordance with auditing standards generally accepted in the United States of America for the purpose of forming an opinion on the basic financial statements taken as a whole. The supporting schedule on page 16 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

HAYNIE & COMPANY

July 30, 2014

Newport Beach, California

CALIFORNIA ASSOCIATION OF PROFESSIONAL EMPLOYEES

Statements of Financial Position

December 31, 2020 and 2019

	2020			2019	
	General Fund (Without donor restrictions)	Political Action Committee (With donor restrictions)	FAIR Political Action Committee (With donor restrictions)	Total	Total
ASSETS					
Cash and cash equivalents:					
Petty cash	\$ 451	\$ -	\$ -	\$ 451	\$ 451
Checking accounts	1,018,219	207,978	56,790	1,282,987	1,125,403
Money market fund and certificate of deposit	778,482	-	-	778,482	777,360
Total cash and cash equivalents	<u>1,797,152</u>	<u>207,978</u>	<u>56,790</u>	<u>2,061,920</u>	<u>1,903,214</u>
Other assets:					
Prepaid expenses	6,118	-	-	6,118	6,597
Other assets	3,736	-	-	3,736	11,757
Trust admin fees receivable	-	-	-	-	5,483
Total other assets	<u>9,854</u>	<u>-</u>	<u>-</u>	<u>9,854</u>	<u>23,837</u>
Property and equipment:					
Office furniture and equipment	82,180	-	-	82,180	82,180
Computer hardware	55,648	-	-	55,648	47,914
Computer software	12,536	-	-	12,536	12,536
	150,364	-	-	150,364	142,630
Less accumulated depreciation	<u>(139,073)</u>	<u>-</u>	<u>-</u>	<u>(139,073)</u>	<u>(130,884)</u>
Total property and equipment	<u>11,291</u>	<u>-</u>	<u>-</u>	<u>11,291</u>	<u>11,746</u>
Total assets	<u>\$ 1,818,297</u>	<u>\$ 207,978</u>	<u>\$ 56,790</u>	<u>\$ 2,083,065</u>	<u>\$ 1,938,797</u>

See notes to financial statements.

CALIFORNIA ASSOCIATION OF PROFESSIONAL EMPLOYEES
 Statements of Financial Position
 December 31, 2020 and 2019

	2020			2019	
	General Fund (Without donor restrictions)	Political Action Committee (With donor restrictions)	FAIR Political Action Committee (With donor restrictions)	Total	Total
<u>LIABILITIES AND NET ASSETS</u>					
Liabilities:					
Expenses payable	\$ 15,995	\$ -	\$ -	\$ 15,995	\$ 84,028
Accrued vacation benefits	<u>67,772</u>	<u>-</u>	<u>-</u>	<u>67,772</u>	<u>146,120</u>
Total liabilities	83,767	-	-	83,767	230,148
Net assets	<u>1,734,530</u>	<u>207,978</u>	<u>56,790</u>	<u>1,999,298</u>	<u>1,708,649</u>
Total liabilities and net assets	<u>\$ 1,818,297</u>	<u>\$ 207,978</u>	<u>\$ 56,790</u>	<u>\$ 2,083,065</u>	<u>\$ 1,938,797</u>

See notes to financial statements.

CALIFORNIA ASSOCIATION OF PROFESSIONAL EMPLOYEES
 Statements of Activities
 For the Years Ended December 31, 2020 and 2019

	2020			2019	
	General Fund (Without donor restrictions)	Political Action Committee (With donor restrictions)	FAIR Political Action Committee (With donor restrictions)	Total	Total
Revenues:					
Dues from members	\$ 1,793,588	\$ -	\$ -	\$ 1,793,588	\$ 1,457,379
Member contributions	-	69,790	4,633	74,423	74,890
Administration fees	104,149	-	-	104,149	109,632
Interest income	1,581	-	-	1,581	8,101
	1,899,318	69,790	4,633	1,973,741	1,650,002
Expenses:					
Program services	1,072,541	175,894	50	1,248,485	1,274,199
Support services:					
General and administrative	434,607	-	-	434,607	459,350
	1,507,148	175,894	50	1,683,092	1,733,549
Increase (decrease) in net assets	392,170	(106,104)	4,583	290,649	(83,547)
Net assets, beginning of year	1,342,360	314,082	52,207	1,708,649	1,792,196
Net assets, end of year	\$ 1,734,530	\$ 207,978	\$ 56,790	\$ 1,999,298	\$ 1,708,649

See notes to financial statements.

CALIFORNIA ASSOCIATION OF PROFESSIONAL EMPLOYEES

Statement of Functional Expenses
For the Year Ended December 31, 2020

	Program Services	Support Activities		Total
		General and Administrative	Fundraising	
Salaries and wages	\$ 469,122	\$ 173,511	\$ -	\$ 642,633
Temporary help	19,162	9,153	-	28,315
Payroll taxes	38,281	14,159	-	52,440
Welfare benefits	100,390	37,131	-	137,521
401(k) retirement benefits	11,299	4,179	-	15,478
Legal fees and expenses	66,735	24,683	-	91,418
Accounting and auditing fees	-	21,374	-	21,374
Computer programming expenses	30,070	11,122	-	41,192
Admin fees for retirement plan	-	4,639	-	4,639
National Marine Engineers' Beneficial Association affiliation fees	44,916	-	-	44,916
Auto expenses	1,287	-	-	1,287
Meeting expenses	71,702	26,520	-	98,222
Member communications	25,291	-	-	25,291
Movie tickets	4,459	-	-	4,459
Field program	13,925	-	-	13,925
Los Angeles County Coalition shared expenses	28,513	-	-	28,513
Elections	-	12,008	-	12,008
Political contributions	175,894	-	-	175,894
FPPC reports & FTB responses	50	-	-	50
Depreciation and amortization	5,978	2,211	-	8,189
Bank charges	-	713	-	713
Insurance expense	-	9,400	-	9,400
Office supplies and expenses	3,462	1,649	-	5,111
Payroll processing fees	-	28,843	-	28,843
Photocopier expense	3,648	1,349	-	4,997
Postage and delivery	6,539	2,419	-	8,958
Printing	632	234	-	866
Rent expense	100,982	37,350	-	138,332
Repairs and maintenance	-	1,351	-	1,351
Education expense	-	229	-	229
Subscriptions and publications	10,752	3,977	-	14,729
Taxes and licenses	-	708	-	708
Telephone	15,396	5,695	-	21,091
	<u>\$ 1,248,485</u>	<u>\$ 434,607</u>	<u>\$ -</u>	<u>\$ 1,683,092</u>

See notes to financial statements.

CALIFORNIA ASSOCIATION OF PROFESSIONAL EMPLOYEES

Statement of Functional Expenses
For the Year Ended December 31, 2019

	Program Services	Support Activities		Total
		General and Administrative	Fundraising	
Salaries and wages	\$ 485,689	\$ 179,639	\$ -	\$ 665,328
Temporary help	30,014	11,590	-	41,604
Payroll taxes	44,597	16,495	-	61,092
Welfare benefits	100,851	37,301	-	138,152
401(k) retirement benefits	16,026	5,927	-	21,953
Legal fees and expenses	90,784	33,578	-	124,362
Accounting and auditing fees	-	28,202	-	28,202
Computer programming expenses	27,569	10,197	-	37,766
Admin fees for retirement plan	-	4,875	-	4,875
National Marine Engineers' Beneficial Association affiliation fees	39,955	-	-	39,955
Delegate and negotiations expense	27,893	-	-	27,893
Auto expenses	9,378	-	-	9,378
Meeting expenses	63,024	23,310	-	86,334
Member communications	5,802	-	-	5,802
Movie tickets	3,554	-	-	3,554
Field program	72,377	-	-	72,377
Los Angeles County Coalition shared expenses	22,470	-	-	22,470
Elections	-	8,277	-	8,277
Political contributions	14,500	-	-	14,500
FPPC reports & FTB responses	100	-	-	100
Depreciation and amortization	5,924	2,191	-	8,115
Bank charges	-	313	-	313
Insurance expense	-	9,014	-	9,014
Office supplies and expenses	5,676	3,788	-	9,464
Payroll processing fees	-	26,093	-	26,093
Photocopier expense	4,448	1,645	-	6,093
Postage and delivery	7,132	2,638	-	9,770
Printing	3,040	1,124	-	4,164
Recruitment expenses	600	-	-	600
Rent expense	94,834	35,076	-	129,910
Repairs and maintenance	-	2,054	-	2,054
Subscriptions and publications	10,225	3,782	-	14,007
Taxes and licenses	-	793	-	793
Telephone	12,117	4,482	-	16,599
	<u>\$ 1,198,579</u>	<u>\$ 452,384</u>	<u>\$ -</u>	<u>\$ 1,650,963</u>

See notes to financial statements.

CALIFORNIA ASSOCIATION OF PROFESSIONAL EMPLOYEES

Statements of Cash Flows - All Funds

For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Changes in net assets:		
General fund	\$ 392,170	\$ (152,893)
Political Action Committee	(106,104)	64,855
FAIR Political Action Committee	<u>4,583</u>	<u>4,491</u>
	290,649	(83,547)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization expense	8,189	8,738
(Increase) decrease in:		
Prepaid expenses	479	(2,289)
Other assets	8,021	(6,960)
Trust admin fees receivable	5,483	6,000
Increase (decrease) in:		
Expenses payable	(68,033)	13,975
Accrued vacation benefits	<u>(78,348)</u>	<u>78,318</u>
Total from operating activities	<u>166,440</u>	<u>14,235</u>
Cash flows from investing activities:		
Purchase of property and equipment	<u>(7,734)</u>	<u>(2,487)</u>
Total from investing activities	<u>(7,734)</u>	<u>(2,487)</u>
Cash flows from financing activities:	<u>-</u>	<u>-</u>
Net increase	158,706	11,748
Cash and cash equivalents, and restricted cash at beginning of year	<u>1,903,214</u>	<u>1,891,466</u>
Cash and cash equivalents, and restricted cash at end of year	<u>\$ 2,061,920</u>	<u>\$ 1,903,214</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for:		
Income taxes	<u>\$ -</u>	<u>\$ -</u>
Interest	<u>\$ -</u>	<u>\$ -</u>

See notes to financial statements.

CALIFORNIA ASSOCIATION OF PROFESSIONAL EMPLOYEES

Notes to Financial Statements

1. DESCRIPTION OF ENTITY

General Fund

The California Association of Professional Employees (the "Association") was formed in 1964 in Los Angeles, California, as a nonprofit corporation to initiate, sponsor, promote and carry out plans, policies and activities, which will tend to advance the health, comfort, morale and economic welfare of all member employees of public agencies or public corporations. The Association represents approximately 2,500 employees of the County of Los Angeles in collective bargaining matters and its primary source of revenues are dues from approximately 2,000 members.

Political Action Committee ("PAC")

The Association formed a Political Action Committee ("PAC") for the purpose of supporting state and local candidates to further the goals of organized labor and collective bargaining within the State of California. The PAC is funded by voluntary dues allocations from the General Fund and voluntary contributions from members of the Association. The monthly allocation of \$3 was raised to \$5 per member in 2015, and the PAC has been in effect since January 1, 1994.

FAIR Political Action Committee ("FAIR PAC")

In February 2005, the Board of Directors formed a second political action committee, the Fight Arnold's Irresponsible Reforms Political Action Committee ("FAIR PAC"), for the purpose of protecting the pension and post-retirement benefits of its members by supporting certain state-wide elections and propositions in California. FAIR PAC is funded by voluntary contributions from the Association's members, certain vendors of the Association and special events organized to further the goals of FAIR PAC.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of accounting

Dues from members, affiliation fees, interest income, reimbursements and other revenues are reported on the accrual basis. All expenses are reported on the accrual basis except for a nominal amount of recurring monthly expenses.

CALIFORNIA ASSOCIATION OF PROFESSIONAL EMPLOYEES

Notes to Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional allocation of expenses

The costs of providing programs and support services have been summarized on the statements of functional expenses. All revenues and expenses pertain to net assets without donor restrictions for the general fund. All revenue and expenses pertain to net assets with donor restrictions for the PAC and FAIR PAC.

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 the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Fair value of financial instruments

The carrying value of cash and cash equivalents, receivables, prepaid expenses, and expenses payable approximate their fair values due to the short-term nature of these instruments.

Tax-exempt status

No provision is made in the General Fund for federal or state income tax. The Association has received tax-exempt status from the federal government under Internal Revenue Code Section 501(c)(5) and the State of California under Revenue and Taxation Code Section 23701a. The Political Action Committees (PAC and FAIR-PAC) are subject to federal and California income taxes assessed on the lesser of investment earnings (net of a \$100 exclusion) or the amount of political contributions.

The Association files income tax returns in the U.S. federal and California jurisdictions. Generally, the Association's tax returns remain open for federal income tax examination for three years from the date of filing and four years for California.

CALIFORNIA ASSOCIATION OF PROFESSIONAL EMPLOYEES

Notes to Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tax-exempt status (continued)

The Association follows the provisions of uncertain tax positions as addressed in FASB Accounting Standards Codification 740-10-65-1. The Association recognized no increase in the liability for unrecognized tax benefits. The Association has no tax position as of December 31, 2020 and 2019, for which the ultimate deductibility is highly certain but for which there is uncertainty about the timing of such deductibility. The Association recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. No such interest or penalties were recognized during the periods presented. The Association had no accruals for interest and penalties as of December 31, 2020 and 2019.

Contributions

The Association adopted the Financial Accounting Standards Board ("FASB") authoritative guidance in connection with accounting for contributions received and contributions made. The guidance by the FASB requires the Association to recognize contributions when the donor makes a promise to give to the Association that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Cash and cash equivalents

Cash and cash equivalents consists of cash on hand and cash deposited with financial institutions in checking accounts and money market funds. For purposes of the statement of cash flows, the Association considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The Association, from time to time, maintains cash balances in excess of Federal Deposit Insurance Corporation (FDIC) insurance coverage limits. As of December 31, 2020 and 2019, the aggregate balances that exceeded these limits approximated \$921,000 and \$675,000, respectively. The Association performs reviews of the relative credit rating of its banks to lower its risk.

CALIFORNIA ASSOCIATION OF PROFESSIONAL EMPLOYEES

Notes to Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

The Association has adopted the FASB authoritative guidance in connection with accounting for certain investments held by not-for-profit organizations. Accordingly, investments are stated at market value as of the balance sheet date. Fluctuations between the market value and the historical cost are reported as unrealized gains or losses in the statement of activities. The Association, from time to time, maintains certain concentrations that exceed the Securities Investor Protection Corporation limits.

Property and equipment

Property and equipment are stated at cost. Depreciation is determined for related groups of assets under the straight-line and accelerated methods based upon their estimated useful lives, ranging from three to ten years. Minor renewals or replacements and maintenance and repairs are expensed. Major replacements and improvements are capitalized.

Long-lived assets

Management reviews long-lived assets for impairment when circumstances indicate the carrying amount of an asset may not be recoverable based on the undiscounted future cash flows of the asset. If the carrying amount of an asset may not be recoverable, a write-down to fair value is recorded. Fair values are determined based on the discounted cash flows, quoted market values, or external appraisals, as applicable. Long-lived assets are reviewed for impairment at the individual asset or the asset group level for which the lowest level of independent cash flows can be identified. Management has evaluated the long-lived assets and has not identified any impairment as of December 31, 2020 and 2019.

Subsequent events

Subsequent events have been evaluated through December 9, 2021, which is the date the financial statements were available.

CALIFORNIA ASSOCIATION OF PROFESSIONAL EMPLOYEES

Notes to Financial Statements

3. INVESTMENTS

The authoritative guidance issued by FASB relating to fair value measurements, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 consists of unadjusted quoted prices in active markets for identical assets and have the highest level of reliability, level 2 inputs are those that are observable, either directly or indirectly, for the asset or liability other than quoted prices included in level 1, and level 3, which are unobservable, are used when level 1 and 2 inputs are not available. As of December 31, 2020 and 2019, the Association's investments consist of certificates of deposits and are categorized using level 1 inputs.

Fair values of investments are measured using valuation techniques under a market, income or cost approach. The Association uses a market approach for valuing its investments wherein prices or relevant information derived from market transactions for identical or comparable assets are used in determining the respective fair values.

4. COMMITMENTS AND CONTINGENCIES

Lease commitments

In 2014, the Association entered into a new five year lease agreement with a related party for office space in Pasadena, California. Based on the terms of the agreement, the Association's initial rent is approximately \$10,000 per month and will be adjusted annually based on the changes in the U.S. Consumer Price Index. The lease agreement expired in March 2019 and converted to a month-to-month tenancy. The total rent expense was approximately \$138,000 and \$139,000 for the years ended December 31, 2020 and 2019, respectively.

The Association leases postal equipment under a five year operating lease expiring in April of 2017, and extended for an additional 63 months. Monthly lease payments approximate \$223 through July of 2022. Lease expense in connection with office equipment approximated \$6,800 and \$8,800 for the years ended December 31, 2020 and 2019, respectively.

The future annual minimum lease payments required under the above lease commitments as of December 31, 2020 are as follows:

2021	\$	2,676
2022		<u>1,561</u>
Total	\$	<u><u>4,237</u></u>

CALIFORNIA ASSOCIATION OF PROFESSIONAL EMPLOYEES

Notes to Financial Statements

4. **COMMITMENTS AND CONTINGENCIES (CONTINUED)**

COVID-19 Pandemic

On March 19, 2020, the World Health Organization declared the outbreak of COVID-19 as a pandemic and public health emergency. The rapid development and fluidity of this situation presents uncertainty and precludes any prediction as to any ultimate material adverse impact to the Association. Nevertheless, the uncertainty presents risks with respect to the Association, its performance, and its financial results.

5. **RELATED PARTY TRANSACTIONS-BENEFIT TRUST ADMINISTRATION**

The Association established the California Association of Professional Employees Benefit Trust (the "Trust") to provide alternative health and welfare coverage for its members and other participants affiliated with the County of Los Angeles. The Trust is governed by a board of trustees consisting of 5 members appointed by the officers of the Association.

The Association charges the Trust an administrative fee based on an estimate of the costs incurred by the Association to administer the Trust. Administration fees for the years ended December 31, 2020 and 2019 approximated \$104,000 and \$110,000, respectively.

The Association also is a contributing employer to the Trust. Total employer contributions to the Trust for health and welfare benefits for the years ended December 31, 2020 and 2019 were approximately \$126,000 and \$104,000, respectively.

As indicated in note 4, the Association has a lease agreement with the Trust.

6. **RETIREMENT PLAN**

The Association has a retirement savings 401(k) plan covering substantially all employees. The plan provides that employees who have attained age 21 and completed one year of service with the Association may voluntarily contribute up to the maximum amount allowable by law of their compensation for the plan year. Employer contributions are equal to 100% of the employee's contributions up to 4% of that employee's compensation. Employer contributions were approximately \$15,478 and \$19,055 for the years ended December 31, 2020 and 2019, respectively.

CALIFORNIA ASSOCIATION OF PROFESSIONAL EMPLOYEES

Notes to Financial Statements

7. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the Statements of Financial Position dates December 31, 2020 and 2019, comprise the following:

	<u>2020</u>	<u>2019</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 2,061,920	\$ 1,903,214
Less those unavailable for general expenditures within one year:		
Political action committee funds	(207,978)	(314,082)
FAIR political action committee funds	<u>(56,790)</u>	<u>(52,207)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,797,152</u>	<u>\$ 1,536,925</u>