

COMPUTER-USING EDUCATORS, INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

JUNE 30, 2019

This Page Left Intentionally Blank

COMPUTER-USING EDUCATORS, INC.
Financial Statements
For the Year Ended June 30, 2019

Table of Contents

	<u>Page</u>
INTRODUCTORY SECTION	
Table of Contents.....	i
FINANCIAL SECTION	
Independent Auditor’s Report	1
Financial Statements	
Statement of Financial Position	3
Statement of Activities.....	4
Statement of Revenues, Support and Functional Expenses.....	5
Statement of Cash Flows	7
Notes to Financial Statements.....	9

This Page Left Intentionally Blank

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Computer-Using Educators, Inc.
Walnut Creek, California

Report on Financial Statements

We have audited the accompanying financial statements of Computer-Using Educators, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, revenues, support and functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 Organization'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 Organization'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 Computer-Using Educators, Inc. as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Computer-Using Educators, Inc.'s 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 8, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Maze & Associates

Pleasant Hill, California
October 30, 2019

COMPUTER-USING EDUCATORS, INC
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2019
WITH COMPARATIVE AMOUNTS AS OF JUNE 30, 2018

ASSETS	<u>2019</u>	<u>2018</u>
Current Assets:		
Cash and cash equivalents (Note 2B)	\$321,198	\$187,126
Cash designated for scholarships	11,278	16,605
Investments (Note 3)	1,085,987	1,006,421
Accounts receivable (Note 2E)	174,847	220,552
Prepays and deposits (Note 2G)	<u>151,930</u>	<u>46,651</u>
Total Current Assets	1,745,240	1,477,355
Investments (Note 3)	306,968	
Property and equipment, net of accumulated depreciation of \$272,206 and \$259,987, respectively (Note 4)	<u>20,078</u>	<u>16,096</u>
Total Assets	<u><u>\$2,072,286</u></u>	<u><u>\$1,493,451</u></u>
LIABILITIES		
Current Liabilities:		
Accounts payable	\$144,362	\$93,881
Accrued liabilities	83,577	99,636
Deferred revenue (Note 2G)	<u>130,563</u>	<u>33,559</u>
Total Current Liabilities	<u>358,502</u>	<u>227,076</u>
NET ASSETS (Note 2A)		
Without Donor Restrictions:		
Designated for scholarships (Note 6)	11,278	16,605
Undesignated	<u>1,702,506</u>	<u>1,249,770</u>
Total Net Assets	<u>1,713,784</u>	<u>1,266,375</u>
Total Liabilities and Net Assets	<u><u>\$2,072,286</u></u>	<u><u>\$1,493,451</u></u>

See accompanying notes to financial statements

COMPUTER-USING EDUCATORS, INC
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019
WITH SUMMARIZED AMOUNTS FOR THE YEAR ENDED JUNE 30, 2018

	Without Donor Restrictions	Totals	
		2019	2018
REVENUES AND SUPPORT			
Conferences and workshops	\$2,200,274	\$2,200,274	\$2,971,379
Professional development and partner programs	804,183	804,183	613,209
Memberships	38,550	38,550	3,231
Hotel rebates	42,693	42,693	
Interest and dividend income	86,633	86,633	57,517
Other income	17,895	17,895	576
	<u>3,190,228</u>	<u>3,190,228</u>	<u>3,645,912</u>
FUNCTIONAL EXPENSES			
PROGRAM EXPENSES			
Conferences and workshops	1,822,424	1,822,424	2,507,668
Professional development	463,360	463,360	702,706
	<u>2,285,784</u>	<u>2,285,784</u>	<u>3,210,375</u>
SUPPORT SERVICES			
Management and general	457,035	457,035	472,399
	<u>457,035</u>	<u>457,035</u>	<u>472,399</u>
	<u>2,742,819</u>	<u>2,742,819</u>	<u>3,682,774</u>
CHANGES IN NET ASSETS	447,409	447,409	(36,862)
Net Assets, beginning of year	1,266,375	1,266,375	1,303,237
Net Assets, end of year	<u>\$1,713,784</u>	<u>\$1,713,784</u>	<u>\$1,266,375</u>

See accompanying notes to financial statements

COMPUTER-USING EDUCATORS, INC.
STATEMENT OF REVENUES, SUPPORT AND FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019
WITH SUMMARIZED AMOUNTS FOR THE YEAR ENDED JUNE 30, 2018

	Program Services		Supporting Services Management and General	Total	
	Conferences and Workshops	Professional Development		Total Program Services	June 30, 2019
REVENUES AND SUPPORT:					
Conferences and workshops	\$2,200,274		\$2,200,274	\$2,200,274	\$2,971,379
Professional development and partner programs		\$804,183	804,183	804,183	613,209
Memberships		38,550	38,550	38,550	3,231
Hotel rebates	42,693		42,693	42,693	
Interest and dividend income				\$86,633	57,517
Miscellaneous income				17,895	576
Total revenues	2,242,967	842,733	3,085,700	3,190,228	3,645,912
FUNCTIONAL EXPENSES:					
Salaries and payroll taxes	465,872	219,234	685,106	120,901	806,007
Employee benefits	102,288	48,135	150,423	26,545	176,968
Internet consultant and expenses	30,755		30,755		234,264
Partner programs					22,430
Lead learner stipends		150,130	150,130	150,130	325,776
Marketing	112,886		112,886	112,886	72,198
Staff travel	255,137		255,137	255,137	321,651
Bank processing fees	65,151		65,151	65,151	76,610
Bad debts expense				11,058	11,058
Facility rental	335,876		335,876	335,876	275,763
Printing	1,503		1,503	1,503	15,113
Affiliate share		33,398	33,398	33,398	62,262
Small equipment and supplies	96,789		96,789	6,968	310,222
Rent	47,432		47,432	47,432	48,362

(Continued)

See accompanying notes to financial statements

COMPUTER-USING EDUCATORS, INC.
STATEMENT OF REVENUES, SUPPORT AND FUNCTIONAL EXPENSES (Continued)
FOR THE YEAR ENDED JUNE 30, 2019
WITH SUMMARIZED AMOUNTS FOR THE YEAR ENDED JUNE 30, 2018

	Program Services		Supporting Services	Total	
	Conferences and Workshops	Professional Development	Management and General	June 30, 2019	June 30, 2018
Depreciation			12,219	12,219	27,705
Merchandise		3,666		3,666	
Honoraria					18,366
Technical support					470
Insurance	8,016		31,841	39,857	46,883
Telecommunications			11,812	11,812	12,128
Shipping and postage	7,938			7,938	11,223
Exhibitor support	292,781			292,781	283,611
Staff development			3,506	3,506	16,228
Dues and subscriptions			77,211	77,211	34,850
Leroy Finkel Scholarships		8,797		8,797	5,520
Professional services			67,724	67,724	104,135
Elections					2,192
Entertainment			12,008	12,008	20,081
Fees and taxes			75,242	75,242	98,943
Total Expenses	1,822,424	463,360	457,035	2,742,819	3,682,774
CHANGES IN NET ASSETS	\$420,543	\$379,373	(\$352,507)	\$447,409	(\$36,862)

See accompanying notes to financial statements

COMPUTER-USING EDUCATORS, INC.
STATEMENT OF CHANGES IN CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019
WITH SUMMARIZED AMOUNTS FOR THE YEAR ENDED JUNE 30, 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$447,409	(\$36,862)
Adjustments to reconcile to net cash provided by (used for) operating activities:		
Depreciation expense	12,219	27,705
(Increase) decrease in operating assets:		
Accounts receivable	45,705	(205,614)
Prepays and deposits	(105,279)	(1,927)
Increase (decrease) in operating liabilities:		
Accounts payable	50,481	92,328
Accrued liabilities	(16,059)	(57,067)
Deferred revenue	97,004	50,481
Cash Flows Provided (Used) by Operating Activities	531,480	(130,956)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(16,201)	(8,064)
Net sales (purchases) of securities	(386,534)	149,735
Cash Flows Used (Provided) by Investing Activities	(402,735)	141,671
Net Cash Flows	128,745	10,715
Cash and cash equivalents, beginning of year	203,731	193,016
Cash and cash equivalents, end of year	\$332,476	\$203,731

Supplemental information:

CUE, Inc. did not pay any taxes or interest in 2019 or 2018.

See accompanying notes to financial statements

This Page Left Intentionally Blank

COMPUTER-USING EDUCATORS, INC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1 – ORGANIZATION

Computer-Using Educators, Inc. (CUE) is a California nonprofit public benefit corporation organized under the Nonprofit Public Benefit Corporation Law for charitable purposes in 1981. CUE is organized to promote the development and growth in the use of computer and other technologies in education and to promote the professional growth of its members and all fellow educators, and, in furtherance thereof, to make a substantial contribution toward developing and providing information, materials, and software applications to all interested persons from preschool through college, and to sustain these efforts through the continuation of a nonprofit corporation. CUE has an active membership of thousands of educational professionals and supports many regional affiliates and special interest groups by presenting an annual statewide educational technology conference and numerous professional development seminars.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). The financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in the Accounting Standards Codification (ASC), No. 958, *Financial Statements of Not-for-Profit Organizations*.

CUE reports information regarding its financial position and activities according to two classes of net assets.

Net Assets Without Donor Restrictions – Net assets available for use in general operations that are not subject to or are no longer subject to donor-imposed restrictions. The governing board has designated, from net assets without donor restrictions, reserves for scholarships.

Net Assets With Donor Restrictions – Net assets whose use is limited by donor-imposed time and/or purpose restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenues are reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions on the net assets are reported as reclassifications between the applicable classes of net assets.

B. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, cash equivalents includes cash on hand and in banks except for cash equivalents associated with the investment account. Designated cash is combined with cash and cash equivalents for purposes of the Statement of Cash Flows.

COMPUTER-USING EDUCATORS, INC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Investments

Investments are measured at fair value on the statement of financial position. Unless donor or law restricts the income or loss, investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in the increase in net assets without donor restrictions.

D. Concentration of Credit Risk

The Federal Deposit Insurance Corporation (FDIC) insures account balances at each insured institution up to \$250,000. At various times during the year, cash at these institutions exceeded federally insured limits, however, management believes CUE is not exposed to any significant credit risk related to cash.

E. Receivables

Accounts receivable represents amounts due from exchange transactions when service is rendered. Income is deferred and recognized when earned. CUE reviews all outstanding accounts and determines collectability of its receivables based on past experience with its customers. Credit losses have been minimal and have consistently been within management's expectations. CUE believes that all accounts receivable at June 30, 2019 will be fully collected. Accordingly, no allowance for doubtful accounts is required.

F. Property and Equipment

Computer equipment, Wi-Fi equipment and computer software are stated at cost, or if donated, at estimated fair value on the date of the gift. CUE capitalizes assets with a cost greater than \$500 and a life expectancy of more than one year. Maintenance and repair costs are expensed as incurred. Depreciation is recorded using the straight-line method over the estimated lives of the assets, which are three years for the computer equipment and software, and five years for the Wi-Fi equipment, software and support. Depreciation expense charged to operations was \$12,219 and \$27,705 for the years ended June 30, 2019 and 2018, respectively.

G. Prepaid Expenses, Deposits and Deferred Revenue

Prepaid expenses and deposits consist of prepaid workshop and conference expenses used in a subsequent period. Deferred revenue is a liability consisting of client prepaid registration fees and sponsorships collected for conferences scheduled in the subsequent fiscal year. Revenues and expenses related to these accounts are deferred and recognized as each conference is performed.

H. Accrued Vacation

Accrued vacation is comprised of unused vacation leave and certain compensated time off, which are accrued as earned. The balance of accrued vacation as of June 30, 2019 and 2018, respectively, are \$75,889 and \$59,902, and are included in the accrued liabilities on the Statement of Financial Position.

COMPUTER-USING EDUCATORS, INC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires CUE management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

J. Functional Allocation of Expenses

The cost of providing various programs and other activities are summarized on a functional basis in the Statement of Activities. Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Management and general expenses include those expenses that are not directly identifiable with any specific function but provide the overall support and direction of CUE.

K. Advertising

Advertising costs, if any, are expensed as incurred.

L. Fair Value Measurements

CUE reports certain assets and liabilities at fair value in the financial statements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Accounting standards set a framework for measuring fair value using a three tier hierarchy based on observable and non-observable inputs. Observable inputs consist of data obtained from independent sources. Non-observable inputs reflect industry assumptions. These two types of inputs are used to create the fair value hierarchy, giving preference to observable inputs.

The three-tier hierarchy categorizes the inputs as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3: Unobservable inputs for the asset or liability. In these situations, the CUE develops inputs using the best information available in the circumstances.

COMPUTER-USING EDUCATORS, INC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Income Taxes

CUE is exempt from income tax under Section 501(c)(3) of U.S. the Internal Revenue Code. Accordingly, no provision for income taxes has been provided in these financial statements. In addition, CUE qualifies for the charitable contribution deduction under Section 170(b)(1)(a) and has been classified as an organization that is not a private foundation under Section 509(a)(1). Unrelated business income, if any, may be subject to income tax. CUE paid no taxes on unrelated business income in the years ended June 30, 2019 or 2018.

Generally accepted accounting principles require the recognition, measurement, classification, and disclosure in the financial statements of uncertain tax positions taken or expected to be taken in the organization's tax returns. Management has determined that CUE does not have any uncertain tax positions and associated unrecognized benefits that materially impact the financial statements or related disclosures. Since tax matters are subject to some degree of uncertainty, there can be no assurance that CUE's tax returns will not be challenged by the taxing authorities and that CUE will not be subject to additional tax, penalties, and interest as a result of such challenge. Generally, CUE's tax returns remain open for federal income tax examination for three years from the date of filing.

N. New Accounting Pronouncement

During the year ended June 30, 2019, CUE adopted the requirements of the Financial Accounting Standards Board's (FASB) Accounting Standards Update No. 2016-14, Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities (ASU 2016-14)*. The Update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. A key change required by ASU 2016-14 is the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets are now reported as net assets with donor restrictions. A footnote on liquidity has also been added (see Note 7).

O. Subsequent Events

CUE evaluated subsequent events for recognition and disclosure through October 30, 2019, the date which these financial statements were available to be issued. Management concluded that no material subsequent events occurred since June 30, 2019 that requires recognition or disclosure in such financial statements.

P. Reclassifications

Certain reclassifications have been made to the prior year's comparative information to conform to the presentation of the current financial statements. The reclassifications have no effect on the classes of net assets or the change in net assets for the prior year.

Q. Prior Year Totals

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Accordingly, such information should be read in conjunction with the financial statements for the year ended June 30, 2018, from which the summarized information was derived.

COMPUTER-USING EDUCATORS, INC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 3 – INVESTMENTS

CUE carries its investments at quoted market values. The portfolio is managed by Grassi Investment Management, and the investments are held with Morgan Stanley. As of June 30, investments consisted of the following, which are valued using Level 1 inputs:

	2019	2018
Current (matures < 1 year):		
Cash, Savings, Money Market Funds	\$350,362	\$375,597
Stocks	635,515	630,824
Certificates of Deposits	100,110	
Sub-total: current investments	1,085,987	1,006,421
Non-current (matures > 1 year):		
Certificates of Deposits	306,968	
Total investments	\$1,392,955	\$1,006,421

NOTE 4 – FIXED ASSETS

Fixed assets are comprised of the following categories:

	2019	2018
Computer equipment	\$64,643	\$57,054
Wi-Fi equipment, software and support	173,351	171,113
Computer software	54,290	47,916
Total	292,284	276,083
Less accumulated depreciation	(272,206)	(259,987)
Total Property and Equipment, net	\$20,078	\$16,096

NOTE 5 – FUTURE MINIMUM LEASE PAYMENTS

On April 25, 2017, CUE signed a three year lease agreement for its main office located in Walnut Creek, California. The lease commenced May 1, 2017 through April 30, 2020. Base rent for the period of May 1, 2017 to April 30, 2018 was \$3,399 a month. Base rent for the period of May 1, 2018 to April 30, 2019 was \$3,631 a month. Base rent for the period of May 1, 2019 to April 30, 2020 is \$3,708 a month. Annual rental payments were \$47,432 and \$48,362 for the years ended June 30, 2019 and 2018, respectively.

COMPUTER-USING EDUCATORS, INC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 6 – DESIGNATED NET ASSETS

A bank account and its earnings have been designated to the Leroy Finkel Scholarship Fund, and had balances of \$11,278 and \$16,605 for the years ended June 30, 2019 and 2018, respectively. During the fiscal years ended June 30, 2019 and June 30, 2018, \$8,797 and \$5,520, respectively, were awarded in scholarships.

NOTE 7 – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, consisted of the following at June 30, 2019:

Total current financial assets:

Cash and cash equivalents	\$321,198
Cash designated for scholarships	11,278
Investments	1,085,987
Accounts receivable	<u>174,847</u>
Total current financial assets	1,593,310

Less contractual or donor-imposed restrictions:

Deferred revenue	<u>(130,563)</u>
Total contractual or donor-imposed restrictions	<u>(130,563)</u>

Financial assets available to meet cash needs
for expenditures within one year

\$1,462,747