

*Financial Statements and
Independent Auditor's Report of*

**RETIRED PUBLIC EMPLOYEES
ASSOCIATION OF CALIFORNIA**

October 31, 2014 and 2013

RETIRED PUBLIC EMPLOYEES ASSOCIATION OF CALIFORNIA

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Retired Public Employees
Association of California
Sacramento, California

We have audited the accompanying statements of financial position of Retired Public Employees Association of California (a California non-profit corporation) as of October 31, 2014 and 2013, and the related statements of activities and changes in net assets, 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.

Auditor's 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 Retired Public Employees Association of California as of October 31, 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.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 10-15 is presented for purposes of additional analysis and is not a required part of the 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 audits 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.

Campbell Taylor & Company

An Accountancy Corporation

Roseville, California

April 28, 2015

RETIRED PUBLIC EMPLOYEES ASSOCIATION OF CALIFORNIA

STATEMENTS OF FINANCIAL POSITION
October 31, 2014 and 2013

	ASSETS	2014	2013
Current Assets:			
Cash and cash equivalents		\$ 490,176	\$ 645,570
Accounts receivable		8,051	91,363
Prepaid expenses		<u>134,875</u>	<u>88,668</u>
Total current assets		633,102	825,601
Property and equipment, net		<u>230,388</u>	<u>237,626</u>
Total assets		<u>\$ 863,490</u>	<u>\$ 1,063,227</u>
	LIABILITIES AND NET ASSETS		
Current Liabilities:			
Accounts payable		\$ 76,396	\$ 66,869
Accrued liabilities		23,586	20,668
Deferred revenue		<u>170,962</u>	<u>163,059</u>
Total current liabilities		270,944	250,596
Long-term liability		<u>6,749</u>	<u>9,100</u>
Total liabilities		<u>277,693</u>	<u>259,696</u>
Unrestricted net assets:			
Undesignated		<u>585,797</u>	<u>803,531</u>
Total unrestricted net assets		<u>585,797</u>	<u>803,531</u>
Total liabilities and net assets		<u>\$ 863,490</u>	<u>\$ 1,063,227</u>

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

RETIRED PUBLIC EMPLOYEES ASSOCIATION OF CALIFORNIA

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Years Ended October 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Revenues:		
Membership dues	\$ 1,030,374	\$ 1,072,650
Miscellaneous	10,517	1,401
Donations	5,102	3,805
Candy sales	1,243	1,690
Interest and dividends	<u>602</u>	<u>659</u>
Total revenues	<u>1,047,838</u>	<u>1,080,205</u>
Expenses:		
Membership services	454,149	274,778
Administrative	334,897	298,794
Office expenses	137,432	159,301
Legal and professional fees	125,184	113,662
Board and committee expenses	81,605	89,851
Meetings and leadership	68,934	72,050
Leased equipment	46,090	43,375
Depreciation	16,968	24,975
Loss on disposal of assets	<u>313</u>	<u>-</u>
Total expenses	<u>1,265,572</u>	<u>1,076,786</u>
Change in net assets	(217,734)	3,419
Net assets, beginning of year	<u>803,531</u>	<u>800,112</u>
Net assets, end of year	<u>\$ 585,797</u>	<u>\$ 803,531</u>

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

RETIRED PUBLIC EMPLOYEES ASSOCIATION OF CALIFORNIA

STATEMENTS OF CASH FLOWS
For the Years Ended October 31, 2014 and 2013

	2014	2013
Cash Flows from Operating Activities:		
Cash received from members and customers	\$ 1,130,548	\$ 1,075,042
Cash paid to suppliers and employees	(1,230,411)	(817,443)
Lease payments	(46,090)	(43,375)
Interest received	602	659
Cash (used for) provided by operating activities	(145,351)	214,883
 Cash Flows from Investing Activities:		
Capital expenditures	(10,043)	(18,113)
Cash used for investing activities	(10,043)	(18,113)
 Net (decrease) increase in cash and cash equivalents	(155,394)	196,770
Cash and cash equivalents, beginning of year	645,570	448,800
Cash and cash equivalents, end of year	\$ 490,176	\$ 645,570
 Reconciliation of Change in Net Assets to Cash (Used for) Provided by Operating Activities:		
Change in net assets	\$ (217,734)	\$ 3,419
Adjustments to reconcile change in net assets to cash (used for) provided by operating activities:		
Depreciation	16,968	24,975
Loss on disposal of assets	313	-
(Increase) decrease in assets:		
Accounts receivable	83,312	(4,504)
Prepaid expenses	(46,207)	80,605
Increase (decrease) in liabilities:		
Accounts payable	9,527	33,962
Accrued and long-term liabilities	567	(1,860)
Deferred revenue	7,903	78,286
Cash (used for) provided by operating activities	\$ (145,351)	\$ 214,883

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

RETIRED PUBLIC EMPLOYEES ASSOCIATION OF CALIFORNIA

NOTES TO FINANCIAL STATEMENTS

October 31, 2014 and 2013

NOTE 1: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Retired Public Employees Association of California (the "Association") was formed in 1958 as a non-profit membership organization. The purpose of the Association is to provide post-retirement education in areas of effective use and methods to improve retirement income, health, economics, mental and physical well-being through statewide area workshops, seminars and chapter meetings; to maintain a mutual non-profit, benevolent and protective organization of retired public employees who receive benefits from the Public Employees Retirement System of California; to foster friendship, cooperation and harmony to the end of promoting the welfare of the members in all ways compatible with the public interest, including the support of beneficial legislation and resistance to detrimental legislation; and inspire and maintain in the hearts of its members a constant dedication to the principle of constitutional democracy as exemplified in our American system of government.

Financial Statement Presentation

The Association reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The organization has no temporary or permanently restricted net assets; accordingly, all financial transactions have been recorded and reported in the following net asset classification:

Unrestricted Net Assets

Unrestricted net assets represent resources over which the Board of Directors has discretionary control and that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

Basis of Accounting

These financial statements have been prepared on the accrual basis of accounting and in accordance with Generally Accepted Accounting Principles of the United States (U.S. GAAP).

Cash and Cash Equivalents

All highly liquid instruments with an original maturity of three months or less are classified as cash equivalents.

Concentration of Credit Risk

The Association maintains cash in banks and financial institutions in amounts, which at times, exceed federally insured limits. The Association has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Accounts Receivable

At October 31, 2014 and 2013, the Association's receivables included member dues collected by the Public Employees Retirement System of \$0 and \$80,768, respectively. At October 31, 2014 and 2013, management believes that no allowance for doubtful accounts is necessary.

**NOTE 1: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

Property and Equipment

Property and equipment, as well as, improvements that significantly add to the productivity or extend the useful life of an asset are recorded at cost. Donated property and equipment are recorded at approximate fair value at the date of donation. Purchases and donations of long-lived assets in excess of \$200 with a useful life in excess of one year are capitalized. Costs of maintenance and repairs are charged to expense. Upon retirement or disposal of equipment, the costs and related depreciation are removed from the accounts and gain or loss, if any, is recorded. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, which range from 3 to 20 years.

Deferred Membership Dues and Revenue Recognition

Deferred revenue results from future year's membership dues received in the current year. Membership dues are deferred upon receipt and recognized as income commencing with the beginning of the applicable membership period. A portion of member dues collected is remitted to local chapters to fund their activities.

Income Taxes

The Association is exempt from income taxes under Section 501(c)(5) of the Internal Revenue Code and Section 23701(a) of the Revenue and Taxation Code of California.

The Association adopted the accounting principles related to accounting for uncertainty in income taxes as described under Financial Accounting Standards Board and has determined that there is no material impact on the consolidated financial statements for October 31, 2014. The Association's policy is to recognize interest and penalties relating to income taxes in interest expense. The Association is subject to routine audits by taxing authorities; however, there are currently no audits for any tax periods in progress. The Association believes it is no longer subject to income tax examinations for the years prior to 2010.

Estimates and Assumptions

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 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. Actual results could differ from those estimates. Significant estimates used in the preparation of these financial statements included estimated lives of property and equipment and post retirement benefits.

NOTE 2: PROPERTY AND EQUIPMENT

Property and equipment consist of the following at October 31:

	<u>2014</u>	<u>2013</u>
Land	\$ 192,669	\$ 192,669
Furniture and equipment	104,605	103,131
Building	<u>601,474</u>	<u>595,704</u>
Total property and equipment	898,748	891,504
Less accumulated depreciation	<u>668,360</u>	<u>653,878</u>
	<u>\$ 230,388</u>	<u>\$ 237,626</u>

Depreciation expense for the years ended October 31, 2014 and 2013, was \$16,968 and \$24,975, respectively.

NOTE 3: EMPLOYEE BENEFIT PLAN

The Association offers a 401(k) & Profit Sharing Plan for its eligible employees. The Plan allows eligible employees to elect to defer wages up to the amount allowed by federal tax law. The profit sharing contributions made by the Association are discretionary. The Association made contributions for the fiscal years ended October 31, 2014 and 2013 of \$35,785 and \$29,880, respectively.

NOTE 4: OPERATING LEASES

The Association leases office equipment under long-term leases. At October 31, 2014, the future minimum obligations under non-cancellable operating leases are as follows:

<u>For the Fiscal year ended:</u>	
2015	\$ 33,814
2016	33,814
2017	33,814
2018	28,500
2019	<u>2,375</u>
Total	<u>\$ 132,317</u>

Lease expense, including use charges, for office equipment for the years ended October 31, 2014 and 2013, was \$46,090 and \$43,375, respectively.

NOTE 5: **POST-RETIREMENT BENEFITS**

The Association has made a commitment to pay post-retirement medical benefit to a former employee in the amount of \$223 per month. This benefit started in 1997 and is extended through the former employee's lifetime. A long-term liability has been recorded in the statement of financial position at the estimated net present value of this obligation.

NOTE 6: **SUBSEQUENT EVENTS**

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through April 28, 2015, the date the financial statements were available to be issued, and management has determined that no subsequent events have occurred that should be disclosed.

SUPPLEMENTARY INFORMATION

RETIRED PUBLIC EMPLOYEES ASSOCIATION OF CALIFORNIA

SCHEDULES OF AVAILABLE RESERVES

October 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Net assets at beginning of fiscal year	\$ 803,531	\$ 800,112
Current year change	<u>(217,734)</u>	<u>3,419</u>
Net assets at end of fiscal year	585,797	803,531
Less: Property and equipment, net	(230,388)	(237,626)
Less: Prepaid expenses	(134,875)	(88,668)
Plus: Deferred revenue	<u>170,962</u>	<u>163,059</u>
Unallocated reserves	<u><u>\$ 391,496</u></u>	<u><u>\$ 640,296</u></u>

RETIRED PUBLIC EMPLOYEES ASSOCIATION OF CALIFORNIA

COMPARATIVE SCHEDULE OF BUDGETED AND ACTUAL REVENUES AND EXPENSES

For the Year Ended October 31, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues:			
Membership dues:			
Dues deduction	\$ 1,053,000	\$ 938,043	\$ (114,957)
Cash dues	432,000	326,883	(105,117)
Dues reimbursed to chapters	<u>(282,150)</u>	<u>(234,552)</u>	<u>47,598</u>
Total membership dues	<u>1,202,850</u>	<u>1,030,374</u>	<u>(172,476)</u>
Interest and dividends	<u>1,000</u>	<u>602</u>	<u>(398)</u>
Donations:			
Donations - building	6,000	5,094	(906)
Donations - general	<u>11,000</u>	<u>8</u>	<u>(10,992)</u>
Total donations	<u>17,000</u>	<u>5,102</u>	<u>(11,898)</u>
Candy sales	<u>3,000</u>	<u>1,243</u>	<u>(1,757)</u>
Miscellaneous:			
Other income	-	39	39
LAO rent	600	600	-
LAO services	2,000	-	(2,000)
On-line sales income	3,000	1,316	(1,684)
General Assembly donations	<u>-</u>	<u>8,562</u>	<u>8,562</u>
Total miscellaneous	<u>5,600</u>	<u>10,517</u>	<u>4,917</u>
Total revenues	<u>1,229,450</u>	<u>1,047,838</u>	<u>(181,299)</u>
Transfer to reserves	<u>90,000</u>	<u>-</u>	<u>(90,000)</u>
Total available operating funds	<u>1,319,450</u>	<u>1,047,838</u>	<u>(271,612)</u>

RETIRED PUBLIC EMPLOYEES ASSOCIATION OF CALIFORNIA

COMPARATIVE SCHEDULE OF BUDGETED AND ACTUAL REVENUES AND EXPENSES (Continued)
For the Year Ended October 31, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Expenses:			
Membership services:			
Marketing	100,000	92,299	(7,701)
Marketing materials	20,000	4,729	(15,271)
Postage - newsletter	40,000	46,203	6,203
Printing - newsletter	66,000	64,116	(1,884)
General assembly	222,000	225,626	3,626
Chapter supplies (badges and business cards)	7,000	2,739	(4,261)
PERS billing charges	7,020	6,031	(989)
Renewal and membership cards	12,000	11,906	(94)
Chapter assistance fund	500	500	-
Total membership services	<u>474,520</u>	<u>454,149</u>	<u>(20,371)</u>
Administrative:			
Office staff - regular employees	218,400	204,597	(13,803)
Office staff - temporary help	500	-	(500)
Staff hiring expense	500	-	(500)
Payroll taxes	20,000	18,589	(1,411)
Retirement plan (current employees)	29,000	35,785	6,785
Insurance (health/dental/life)	60,000	72,640	12,640
Workers' compensation	2,100	2,307	207
Training	1,000	379	(621)
Pension and medical (retirees)	1,000	600	(400)
Total administrative	<u>332,500</u>	<u>334,897</u>	<u>2,397</u>

RETIRED PUBLIC EMPLOYEES ASSOCIATION OF CALIFORNIA

COMPARATIVE SCHEDULE OF BUDGETED AND ACTUAL REVENUES AND EXPENSES (Continued)
For the Year Ended October 31, 2014

	<u>Budget</u>	<u>Actual</u>	Over (Under) <u>Budget</u>
Office expenses:			
Office manager	5,000	5,012	12
Bank charges	6,500	5,783	(717)
Online sales fees	-	2,330	2,330
Business taxes	400	31	(369)
Equipment maintenance and repair	2,000	908	(1,092)
Miscellaneous	500	35	(465)
Interest	-	413	413
Office supplies	20,000	19,981	(19)
Postage/UPS	14,000	20,100	6,100
Preservation of records	2,000	3,727	1,727
Public relations	2,000	1,832	(168)
Staff mileage	1,000	494	(506)
Telephone	8,500	5,969	(2,531)
Website/internet	6,000	2,928	(3,072)
Sunshine	1,000	86	(914)
Computer maintenance and repair	2,000	2,853	853
Software	7,000	6,542	(458)
Computer supplies	2,500	2,985	485
Comprehensive/liability insurance	15,500	15,492	(8)
General building maintenance	13,000	12,602	(398)
Major maintenance accrual	2,500	-	(2,500)
Janitor/alarm/refuse	6,000	4,165	(1,835)
Real property taxes	8,500	11,795	3,295
Utilities	<u>10,000</u>	<u>11,369</u>	<u>1,369</u>
Total office expenses	<u>135,900</u>	<u>137,432</u>	<u>1,532</u>
Legal and professional fees:			
Accounting services	17,500	23,663	6,163
Audit	15,802	13,543	(2,259)
Computer programming	500	828	328
Legal services	4,500	3,222	(1,278)
Advocate and associates	95,000	83,928	(11,072)
Federal advocacy	1,000	-	(1,000)
Emergency action fund	10,000	-	(10,000)
Travel and telephone	<u>1,500</u>	<u>-</u>	<u>(1,500)</u>
Total legal and professional fees	<u>145,802</u>	<u>125,184</u>	<u>(20,618)</u>

RETIRED PUBLIC EMPLOYEES ASSOCIATION OF CALIFORNIA

COMPARATIVE SCHEDULE OF BUDGETED AND ACTUAL REVENUES AND EXPENSES (Continued)
For the Year Ended October 31, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Board and committee expenses:			
President	5,000	9,469	4,469
Vice President	3,800	3,570	(230)
Past President	2,500	328	(2,172)
Secretary/Treasurer	1,000	370	(630)
Director of Communications	11,000	11,216	216
Director of Health Benefits	7,100	2,297	(4,803)
Director of Legislation	11,000	8,583	(2,417)
Director of Membership	5,000	3,293	(1,707)
Director of Member Services	1,500	969	(531)
Director - Area I	5,500	6,081	581
Director - Area II	5,500	4,880	(620)
Director - Area III	4,000	2,536	(1,464)
Director - Area IV	5,500	983	(4,517)
Director - Area V	3,000	1,297	(1,703)
Director - Area VI	5,000	3,369	(1,631)
Director - Area VII	4,500	2,909	(1,591)
Director - Area VIII	5,000	2,367	(2,633)
Director - Area IX	5,500	2,325	(3,175)
Budget Committee	3,000	400	(2,600)
By Laws Committee	1,000	981	(19)
Health Benefits & Ins Committee	6,200	-	(6,200)
Legislative Committee	11,500	1,644	(9,856)
Membership Committee	5,000	315	(4,685)
Member Services Committee	2,500	2,376	(124)
Personnel Related Benefits Committee	3,000	656	(2,344)
Real Property Management Committee	100	-	(100)
Strategic Planning Committee	2,000	2,418	418
Chapter Revitalization Committee	1,000	191	(809)
Public Agency Advocacy Committee	2,500	852	(1,648)
Ad Hoc Archives	500	-	(500)
Public Relations Committee	8,000	1,400	(6,600)
Investment Committee	2,000	1,504	(496)
Long Term Care Committee	3,000	-	(3,000)
Membership dues & fees	1,500	1,421	(79)
Membership expenses	<u>1,000</u>	<u>605</u>	<u>(395)</u>
Total board and committee expenses	<u>145,200</u>	<u>81,605</u>	<u>(63,595)</u>

RETIRED PUBLIC EMPLOYEES ASSOCIATION OF CALIFORNIA

COMPARATIVE SCHEDULE OF BUDGETED AND ACTUAL REVENUES AND EXPENSES (Continued)
For the Year Ended October 31, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Meetings and leadership:			
Meeting 1	12,500	12,760	260
Meeting 2	12,500	10,728	(1,772)
Meeting 3	5,000	64	(4,936)
Meeting 4	12,500	23,791	11,291
Other/Special, Board of Directors meeting	5,000	680	(4,320)
Area Directors meetings and workshops	<u>15,000</u>	<u>20,911</u>	<u>5,911</u>
Total meetings and leadership	<u>62,500</u>	<u>68,934</u>	<u>6,434</u>
 Leased equipment:			
Computer equipment	5,000	-	(5,000)
Leased equipment	35,000	46,090	11,090
Office equipment	<u>5,000</u>	<u>-</u>	<u>(5,000)</u>
Total leased equipment	<u>45,000</u>	<u>46,090</u>	<u>1,090</u>
 Loss on disposal of assets	<u>-</u>	<u>313</u>	<u>313</u>
 Depreciation	<u>-</u>	<u>16,968</u>	<u>16,968</u>
 Total expenses	<u>1,341,422</u>	<u>1,265,572</u>	<u>(75,850)</u>
 Change in net assets	<u>\$ (21,972)</u>	<u>\$ (217,734)</u>	<u>\$ 195,762</u>