#WeAreCTA

CTA ANNUAL REPORT

September 2019 – August 2020

FIGHTING FOR ALL STUDENTS, NO MATTER THE CHALLENGE

Amid some of the most difficult challenges we have ever faced, CTA continues to lead the fight for the resources all students need, the schools they deserve, and the safe and healthy teaching and learning conditions our school communities require.

This Annual Report, which begins in September 2019 and carries us through August of 2020, showcases CTA's extensive work to teach, support and protect students, further public education, and build a just society.

Our combined efforts during the most extraordinary of circumstances are nothing less than inspiring. From winning accountability and transparency for charter schools to continuing the fight for racial and social justice, to protecting the health and safety of schools and communities during a raging pandemic, CTA is leading the way. Visit cta.org/AnnualReport2019-2020 to discover all we accomplished. And pat yourself on the back while you're at it. We couldn't have done it without you!

E. Toby Boyd, CTA President

YOUR BOARD OF DIRECTORS

Your CTA Board members hail from small and large districts in rural, urban and suburban areas. They represent the K-12 classroom teachers, higher education faculty, education support professionals, counselors, school nurses and psychologists who staff our schools and colleges.

Click here to find your Board member.

Your CTA Board is composed of 23 educators, 16 of whom are elected from geographically drawn districts with 10,000 or more members. Two Board members serve as statewide at-large directors representing communities of color; one Board seat represents higher education faculty and students; and one Board seat is reserved for a California member serving on the NEA Board of Directors. CTA's president, vice president and secretary-treasurer fill out the remaining seats.

Board members are involved in every aspect of CTA and carry your message about the importance of public education to the far reaches of the state. They approve contracts, testify at legislative hearings, and provide direction to CTA's executive director.

David B. Goldberg, CTA Vice President

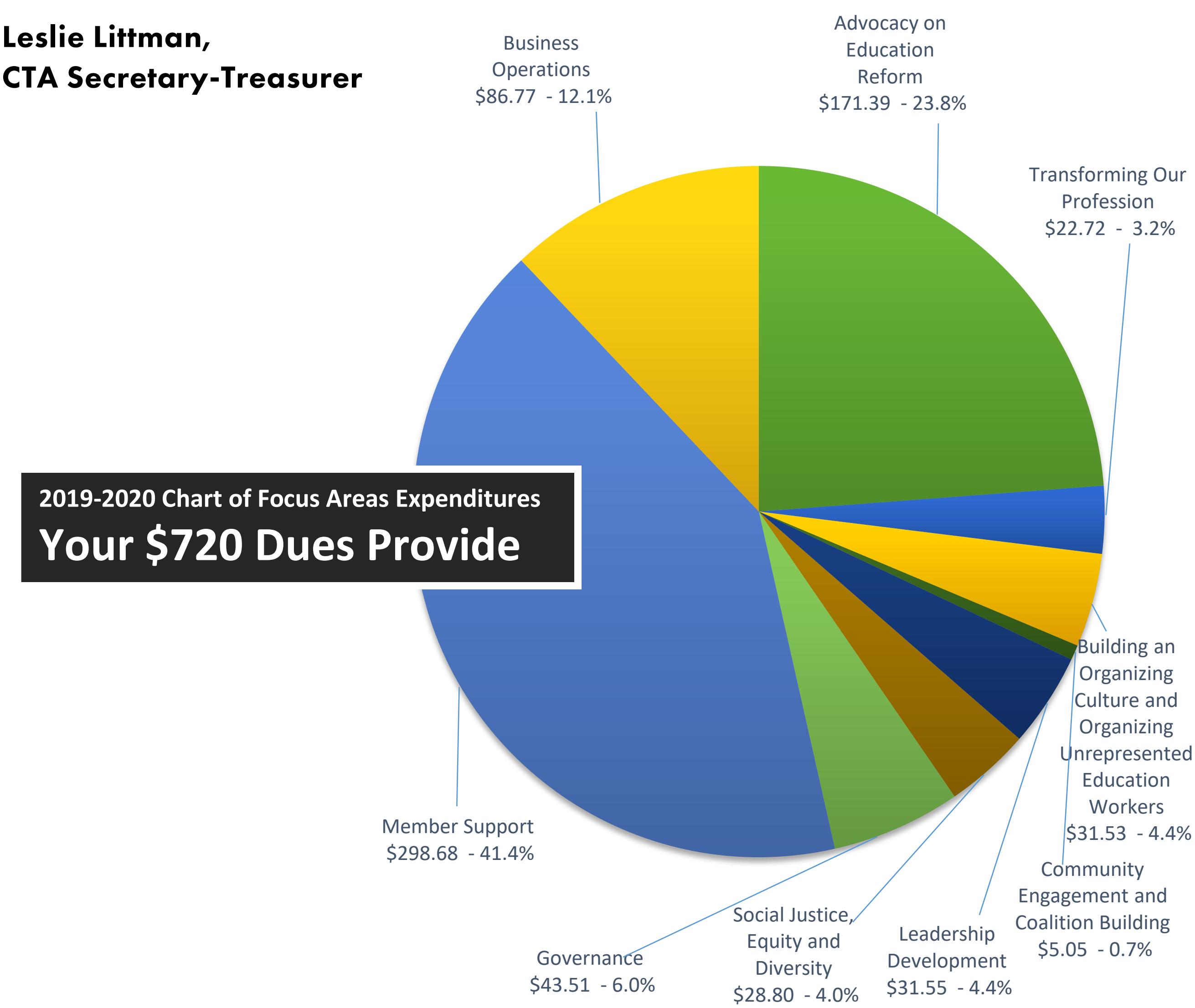
A STRONG CTA EQUALS POWERFUL ADVOCACY

While the chaotic year was difficult financially for many, our planning and prioritizing positions CTA to continue serving our members, advocating for all students and working for the public schools our communities deserve. Amid unprecedented conditions, CTA continues to show solid operating results and successful management of expenses, ensuring that our union remains fiscally sound, vibrant and strong at a time when our advocacy is needed most.

The financial statements in this report represent the official document prepared by independent auditors for our members and the financial community. In addition to showing that our books are balanced, the report summarizes the work of our staff and departments.

These financial statements do not begin to tell the real and more complete story of CTA's positive impact on teaching, learning and advocacy for public education and for educators. You can read that story online at **cta.org/AnnualReport2019-2020**.

Leslie Littman,
CTA Secretary-Treasurer



AS CRISES MOUNT, EDUCATORS NEVER STOP BELIEVING

When schools shuttered statewide in March due to the COVID-19 pandemic, educators worked tirelessly to meet the challenges of distance learning while simultaneously helping their own children do the same. We organized to force school districts to make health and safety the top priority while also working to protect our own loved ones from the deadly virus.

As executive director, I oversee day-to-day operations and manage the 400+ CTA employees who help turn members' visions and dreams into reality. It is an honor for me to work with our members, leaders and staff who are committed through and through to supporting and improving quality public education, from pre-K through higher education.

This past year, CTA has continued the fight for equity as the pandemic disproportionately impacted our students of color, and mourned the lives of George Floyd, Breonna Taylor and countless other victims of systemic racism, rising together to declare that Black Lives Matter. We joined forces with other labor, community and small business groups to form the largest coalition in California election history—nearly closing corporate property tax loopholes that have been siphoning money from our schools for over 40 years.

We supported each other as wildfires raged across our state. Though classrooms closed in spring, we worked together to ensure the learning never stopped, finding ways to reach and support our students when they needed it most. And CTA staff, not skipping a beat, morphed into a virtual workforce as we provided leaders and members with resources, bargaining and legal advice, training, and communications support.

Joe Boyd, Executive Director

To read, watch and explore some highlights of accomplishments during 2019-2020, go to **www.cta.org/AnnualReport2019-2020**. There's no way we would be able to capture all the work done on behalf of CTA's 310,000 members and the 9 million students of California, but we've endeavored to bring you what we're most proud of. I hope you are too.

California Teachers Association

Combined Financial Statements as of and for the Years Ended August 31, 2020 and 2019, and Independent Auditors' Report

Deloitte.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
California Teachers Association:

We have audited the accompanying combined financial statements of the California Teachers Association and related companies (collectively, the "Association"), which comprise the combined statements of financial position as of August 31, 2020 and 2019, and the related combined statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the combined financial statements. The combined financial statements include accounts of the California Teachers Association and four related companies, the California Teachers Association Disaster Relief Fund, the California Teachers Association Foundation for Teaching and Learning, the California Teachers Association Institute for Teaching, and the California Teachers Association Voluntary Retirement Plans Educators, LLC. These companies are under common ownership and common management.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Association's preparation and fair presentation of the combined 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 Association'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 combined 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 combined financial statements referred to above present fairly, in all material respects, the financial position of the California Teachers Association and related companies as of August 31, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

December 11, 2020

CALIFORNIA TEACHERS ASSOCIATION

COMBINED STATEMENTS OF FINANCIAL POSITION
AS OF AUGUST 31, 2020 AND 2019

	2020	2019
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 103,817,339	$ 90,245,917
Short-term investments	205,040,522	168,096,086
Membership dues and accounts receivable—net	5,416,147	5,374,296
Supplies, deposits, and prepaid expenses	972,468	1,240,393
Total current assets	315,246,476	264,956,692
PROPERTY AND EQUIPMENT—Net	40,923,644	42,417,533
LONG-TERM INVESTMENTS	62,822,896	56,287,501
TOTAL ASSETS	$ 418,993,016	$ 363,661,726
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 8,928,210	$ 9,441,562
Accrued payroll and related liabilities	8,110,502	2,626,252
Dues payable to affiliated organizations	21,445,607	20,678,955
Deferred membership dues income	1,550,903	956,841
Current portion of long-term obligations	7,208,747	7,003,061
Total current liabilities	47,243,969	40,706,671
LONG-TERM OBLIGATIONS—Less current portion—accrued vacation, sick leave, and other related costs	22,493,997	24,127,684
NET ASSETS:		
Without donor restrictions:		
Undesignated	299,912,790	248,649,517
Designated	47,556,642	48,422,710
Total net assets without donor restrictions	347,469,432	297,072,227
With donor restrictions (Note 13)	1,785,618	1,755,144
Total net assets	349,255,050	298,827,371
TOTAL LIABILITIES AND NET ASSETS	$ 418,993,016	$ 363,661,726

See notes to combined financial statements.

CALIFORNIA TEACHERS ASSOCIATION

COMBINED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019

	2020	2019
NET ASSETS WITHOUT DONOR RESTRICTIONS:		
Revenue and gains:		
Membership dues and fees	$ 198,744,084	$ 194,992,525
Investment income—net	25,769,958	5,430,148
Other	5,954,963	8,724,204
Total revenue and gains without donor restrictions	230,469,005	209,146,877
Net assets released from restriction (Note 13)	110,242	981,600
Total revenue, gains, and other support without donor restrictions	230,579,247	210,128,477
Expenses:		
Statewide programs	63,129,917	63,109,504
Local service delivery	82,833,982	81,337,732
Support services	22,615,890	24,422,243
Other	11,602,253	12,469,546
Total expenses (Note 5)	180,182,042	181,339,025
Increase in net assets without donor restrictions	50,397,205	28,789,452
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS:		
Contributions	53,427	123,962
Interest and investment income (loss)—net	87,289	(3,556)
Net assets released from restriction (Note 13)	(110,242)	(981,600)
Increase (decrease) in net assets with donor restrictions	30,474	(861,194)
INCREASE IN TOTAL NET ASSETS	50,427,679	27,928,258
NET ASSETS—Beginning of year	298,827,371	270,899,113
NET ASSETS—End of year	$ 349,255,050	$ 298,827,371

See notes to combined financial statements.

CALIFORNIA TEACHERS ASSOCIATION

COMBINED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 50,427,679	$ 27,928,258
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	2,046,973	2,187,897
Net realized and unrealized gain on investments	(20,081,092)	(31,423)
Gain on disposal of property and equipment	-	(1,761,990)
Changes in operating assets and liabilities:		
Membership dues and accounts receivable	(41,851)	321,013
Supplies, deposits, and prepaid expenses	267,925	620,863
Accounts payable and accrued expenses	(513,352)	540,406
Accrued payroll and related liabilities	5,484,250	(367,078)
Dues payable to affiliated organizations	766,652	(1,908,348)
Deferred membership dues income	594,062	172,616
Accrued vacation, sick leave, and other related costs	(1,428,001)	(2,851,062)
Net cash provided by operating activities	37,523,245	24,851,152
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(92,967,948)	(112,698,415)
Sales of investments	69,569,209	86,575,718
Proceeds from sale of property and equipment	-	1,895,232
Purchase and construction of property and equipment	(553,084)	(300,323)
Net cash used in investing activities	(23,951,823)	(24,527,788)
NET INCREASE IN CASH AND CASH EQUIVALENTS	13,571,422	323,364
CASH AND CASH EQUIVALENTS—Beginning of year	90,245,917	89,922,553
CASH AND CASH EQUIVALENTS—End of year	$ 103,817,339	$ 90,245,917

See notes to combined financial statements.

1. ORGANIZATION

The California Teachers Association (the "Association" or CTA) is a California not-for-profit corporation organized to advance the interests of the teaching profession and to promote and improve public education in the state. The Association has common governance and management over the California Teachers Association Institute for Teaching (the "Institute"), an affiliate created in 1968 that provides educational programs. The Association also has common governance and management over the California Teachers Association Disaster Relief Fund (the "Fund"), which was created in 2002 to provide disaster relief assistance for members affected by natural and other disasters, and the California Teachers Association Foundation for Teaching and Learning (the "Foundation"), which was created in 2008 to support high-quality teaching and high-quality public schools in the state of California, make grants of scholarships to qualified students, provide disaster relief, and perform all things incidental to or appropriate for the achievement of specific purposes. The Association is the sole member of the California Teachers Association Voluntary Retirement Plans for Educators LLC (the "LLC"), a limited liability company created in 2012 to provide retirement savings plan services to CTA members.

The accompanying combined financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("generally accepted accounting principles" or GAAP). Management has evaluated subsequent events during the period from September 1, 2020, to December 11, 2020, the date the combined financial statements were available to be issued.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Combination—The accompanying combined financial statements include the accounts of the Association and its affiliates, the Institute, the Fund, the Foundation, and the LLC.

Use of Estimates—The preparation of combined 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 combined financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Revenue and Expenses—Membership dues are recognized as earned on the accrual basis of accounting. Dues received prior to being earned are reported as deferred income until they are earned. Investment income—net consists principally of interest, dividends, and both realized and unrealized gains and losses on investments. Other revenue consists of payments from affiliates, rental income fees, advertising, and other reimbursements.

Expenses are recognized when incurred on the accrual basis of accounting.

Cash and Cash Equivalents—The Association considers all highly liquid investments with maturities of three months or less at the time of purchase to be cash equivalents.

Fair Value of Financial Instruments—The carrying amounts of the Association's financial instruments, including cash and certain cash equivalents, membership dues, accounts receivable, supplies, deposits, prepaid expenses, accounts payable, accrued liabilities, and other current liabilities, approximate fair value due to their relatively short maturities.

Investments—All debt and equity securities with readily determinable fair values are stated at estimated fair value based on quoted market prices. Management estimates are based on information provided by the fund managers or the general partners. Because of the inherent uncertainty of valuation of nonmarketable and restricted investments, those estimated values may differ significantly from the values that would have been used had a ready market for the securities existed, and the differences could be material. Realized gains and losses from investment transactions are calculated using the weighted-average method. Investments in fixed-income securities that mature over one year from the date of the combined statements of financial position are classified as long-term investments.

Concentrations of Credit Risk—The financial instruments that potentially expose the Association to concentrations of credit risk consist primarily of cash and cash equivalents and investments. The Association maintains cash and cash equivalents and investments with various major financial institutions. At times, such amounts might exceed Federal Deposit Insurance Corporation insured limits. The Association manages credit risk by establishing minimum credit standards for financial institutions and limiting the amount of credit exposure with any one institution. The Association's investments have been placed with high-quality counterparties. The Association closely monitors these investments and has not experienced any credit losses.

Membership dues and accounts receivable expose the Association to certain credit risks. The Association manages its risk by regularly reviewing its accounts and contracts and providing allowances for uncollectible accounts.

Membership Dues—The Association collects membership dues and fees on behalf of the National Education Association and others and periodically remits these dues and fees to these organizations. Such dues and fees are not recognized as membership revenue, but instead reported as dues payable to affiliated organizations.

Property and Equipment—Property and equipment are carried at cost, net of accumulated depreciation and amortization. Provisions for depreciation and amortization of property and equipment are computed using the straight-line method over estimated useful lives as follows:

Buildings	15–40 years
Furniture and equipment	3–10 years
Leasehold improvements	Life of lease or estimated useful life, whichever is shorter

Accrued Vacation, Sick Leave, and Other Related Costs—Accrued vacation, sick leave, and other related costs are accrued as earned. Such costs are allocated between current and long-term liabilities based on estimates of settlement dates. Upon termination, employees are entitled to compensation for accrued vacation. All employees are allowed to carry over balances of unused sick leave to the following years. Upon termination, unused sick leave is generally forfeited. If an employee retires, accrued sick leave is credited to years of service for purposes of determining retirement benefits. Eligible employees and directors accrue postemployment benefits paid upon termination. Such accruals are estimated based on employment agreement terms, years of service, estimated forfeitures, and estimated salary increases. The Association participates in a multiemployer defined benefit retirement plan (the "Plan"). The Association is contractually obligated to make lump-sum payments to the Plan for additional service credits for employees who retire with unused earned sick days. The additional service credits are based on formulas in the respective employment contracts.

Income Taxes—The Association, the Institute, the Fund, and the Foundation are entities described in Internal Revenue Code (IRC) Section 501(c). Consequently, these entities are generally exempt from federal and state income taxes under IRC Section 501(a) and the corresponding California statute whereby only unrelated business income, as defined by Section 512(a)(1) of the IRC, is subject to federal income tax. The LLC is classified as a single-member disregarded entity, and its activities are included in the Association's federal tax return. The Association has no liability for uncertain tax positions.

Net Assets—The Association classifies its net assets as without donor restrictions and with donor restrictions.

With donor restrictions—Net assets subject to externally imposed restrictions that can be fulfilled by the actions of the Association or by the passage of time.

Without donor restrictions—Net assets that are not subject to externally imposed restrictions. Unrestricted net assets may be designated for use by the board of directors of the Association. Such designations limit the area of the Association's operations for which expenditures of designated net assets may be made.

Recent Accounting Pronouncements—The Association evaluates the pronouncements of various authoritative accounting organizations to determine the impact of new GAAP accounting pronouncements on the Association's combined financial statements.

In April 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*, which mandates using a five-step model to recognize revenue from customer contracts in an effort to increase consistency and comparability throughout global capital markets and across industries. Under the model, a company will identify the contract, identify any separate performance obligations in the contract, determine the transaction price, allocate the transaction price, and recognize revenue when the performance obligation is satisfied. On June 3, 2020, the FASB issued ASU No. 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*; the amendment grants a one-year effective date delay for certain companies and organizations applying the revenue recognition and leases guidance. ASU No. 2020-05 amends the effective dates of the board's standards on revenue (ASC 606) and leasing (ASC 842) to give immediate relief to certain entities as a result of the widespread adverse economic effects and business disruptions caused by the coronavirus disease ("COVID-19") pandemic. Early application continues to be permitted. The new revenue standard became effective for the Association on January 1, 2020. The Association is currently evaluating the impact the adoption of the new revenue standard will have on its combined financial statements.

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU No. 2018-08 clarifies and improves the scope and accounting guidance for contributions received and contributions made. This update should assist entities in (a) evaluating whether transactions should be accounted for as contributions (i.e., nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance; and (b) determining whether a contribution is conditional. On September 1, 2019, the Association adopted the pronouncement related to contributions received and contributions made, and such adoption did not have a material impact on its combined financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. ASU No. 2016-02 requires all lessees to record a lease liability at lease inception, with a corresponding right-of-use asset, except for short-term leases. Lessor accounting will not be fundamentally changed. On June 3, 2020, the FASB issued ASU No. 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*; the amendment grants a one-year effective date delay for certain companies and organizations applying the revenue recognition and leases guidance. ASU No. 2020-05 amends the effective dates of the board's standards on revenue (ASC 606) and leasing (ASC 842) to give immediate relief to certain entities as a result of the widespread adverse economic effects and business disruptions caused by the COVID-19 pandemic. Early application continues to be permitted. The new lease standard becomes effective for the Association on January 1, 2022. The Association is currently evaluating the impact the adoption of the new lease standard will have on its combined financial statements.

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958)—Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU No. 2020-07 enhances the presentation and disclosure requirements to increase the transparency of contributed nonfinancial assets for not-for-profit (NFP) entities. NFP entities will now be required to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial contributions. NFPs will also be required to disclose various information related to contributed nonfinancial assets. The amendments in this ASU are required to be applied on a retrospective basis and are effective for annual periods beginning after June 15, 2021. Early adoption is permitted. The Association is currently evaluating the impact the adoption of the ASU will have on its combined financial statements.

3. INFORMATION REGARDING LIQUIDITY AND FUNDS AVAILABLE

As part of the Association's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Association invests cash in excess of daily requirements in short-term investments. To help manage unanticipated liquidity needs, the Association has committed lines of credit in the amount of $41,000,000, which it could draw upon, and a revolving loan agreement in the amount of $30,000,000 (Note 10).

The following table reflects the financial assets as of August 31, 2020 and 2019, reduced by amounts that are not available to meet general expenditures within one year of the combined statements of financial position date because of contractual restrictions.

	2020	2019
Financial assets:		
Cash and cash equivalents	$ 103,817,339	$ 90,245,917
Investments	267,863,418	224,383,587
Membership dues and accounts receivable—net	5,416,147	5,374,296
Total financial assets	377,096,904	320,003,800
Less financial assets unavailable for general expenditures within one year due to donor-imposed restrictions:		
Restricted for a specified purpose	(1,785,618)	(1,755,144)
Board-designated assets	(47,556,642)	(48,422,710)
Financial assets available within one year	$ 327,754,644	$ 269,825,946

4. INVESTMENTS

FASB Accounting Standards Codification (ASC) 820, *Fair Value Measurement and Disclosures*, provides a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and enhances disclosure requirements for fair value measurements. The three-level fair value hierarchy gives the highest valuation priority to quoted prices in active markets for identical assets or liabilities (Level 1); securities not traded on active markets, but for which observable market inputs are readily available (Level 2); and the lowest priority to unobservable inputs (Level 3).

The following table summarizes the Association’s investments as of August 31, 2020 and 2019, under the ASC 820 fair value hierarchy levels:

	Fair Value Measurements at August 31, 2020		
	Level 1	Level 2	Total
Cash equivalents	$ 5,957,295	$ 2,052,598	$ 8,009,893
Mutual funds	$ 132,487,675	$ 2,481,093	$ 134,968,768
Common stocks	60,919,375	-	60,919,375
Preferred securities	7,358,517	-	7,358,517
U.S. government bonds	4,105,952	17,151,247	21,257,199
Corporate bonds		32,510,937	32,510,937
Government securities	6,083,060	4,765,562	10,848,622
Total	$ 210,954,579	$ 56,908,839	$ 267,863,418

	Fair Value Measurements at August 31, 2019		
	Level 1	**Level 2**	**Total**
Cash equivalents	$ 21,545,794	$ 3,881,696	$ 25,427,490
Certificates of deposit	$ 108,952,331	$ -	$ 108,952,331
Mutual funds	48,714,288	-	48,714,288
Common stocks	7,311,840	-	7,311,840
Preferred securities	-	-	-
U.S. government bonds	4,058,354	13,976,800	18,035,154
Corporate bonds	-	31,411,559	31,411,559
Government securities	4,233,266	5,725,149	9,958,415
Total	$ 173,270,079	$ 51,113,508	$ 224,383,587

Level 1 valuations are based on quoted prices in active markets for identical assets or liabilities that the Association has the ability to access. Level 2 valuations are based on quoted prices in markets that are not active for which all significant inputs are observable, either directly or indirectly.

Investment Income—Net—In the accompanying combined statements of activities and changes in net assets, investment income—net for the years ended August 31, 2020 and 2019, is summarized as follows:

	2020	**2019**
Interest and dividends	$ 5,745,513	$ 5,339,625
Net unrealized gain (loss)	18,055,616	(3,791,284)
Net realized gain	1,968,829	3,881,807
Investment income—net	$ 25,769,958	$ 5,430,148

5. STATEMENT OF FUNCTIONAL EXPENSES

The table below presents expenses by both their nature and their function for fiscal years ended August 31, 2020 and 2019. Expenses directly attributable to specific functional areas of the Association are reported as expenses of those functional areas. The significant expenses that are allocated are salaries and benefits, which are allocated based on department and job classification for actual time and effort.

	Statement of Functional Expenses for the Fiscal Year Ended August 31, 2020				
	Statewide Programs	Local Service Delivery	Support Services	Other	Total
Assistance to affiliates	$ 50,343	$ 31,645,360	$ 46,332	$ 557,056	$ 32,299,091
Conferences, meetings, and events	2,572,480	262,286	688,253	28,683	3,551,702
Depreciation and capital expenditures	1,008,074	1,322,715	361,136	231,957	2,923,882
General office administration	288,959	492,645	208,844	-	990,448
Occupancy	-	-	-	4,852,250	4,852,250
Personnel travel	1,087,287	-	43,963	-	1,131,250
Professional services and other expenses	28,126,181	4,568,015	1,643,887	5,716,132	40,054,215
Publications, printing, and mailing	1,844,975	-	-	12,264	1,857,239
Salaries and benefits	27,016,519	44,542,961	19,623,475	203,911	91,386,866
Scholarships, grants, and awards	1,135,099	-	-	-	1,135,099
Total expenses	$ 63,129,917	$ 82,833,982	$ 22,615,890	$ 11,602,253	$ 180,182,042

	Statement of Functional Expenses for the Fiscal Year Ended August 31, 2019				
	Statewide Programs	Local Service Delivery	Support Services	Other	Total
Assistance to affiliates	$ 710,509	$ 31,238,432	$ 62,071	$ 576,371	$ 32,587,383
Conferences, meetings, and events	5,045,520	239,513	1,229,124	217,778	6,731,935
Depreciation and capital expenditures	-	-	-	2,835,010	2,835,010
General office administration	358,296	679,867	116,961	-	1,155,124
Occupancy	-	-	-	5,003,200	5,003,200
Personnel travel	3,009,396	3,048,892	905,351	-	6,963,639
Professional services and other expenses	23,114,096	1,997,265	693,703	3,573,974	29,379,038
Publications, printing, and mailing	2,613,555	-	-	58,689	2,672,244
Salaries and benefits	26,703,183	44,133,763	21,366,603	-	92,203,549
Scholarships, grants, and awards	1,554,949	-	48,430	204,524	1,807,903
Total expenses	$ 63,109,504	$ 81,337,732	$ 24,422,243	$ 12,469,546	$ 181,339,025

6. MEMBERSHIP DUES AND ACCOUNTS RECEIVABLE

Membership dues and accounts receivable as of August 31, 2020 and 2019, consisted of the following:

	2020	2019
Membership dues and fees	$ 4,037,318	$ 4,331,022
Accounts receivable	2,085,624	1,588,024
Total membership dues and fees and accounts receivable	6,122,942	5,919,046
Less allowance for doubtful accounts	(706,795)	(544,750)
Membership dues and accounts receivable—net	$ 5,416,147	$ 5,374,296

7. PROPERTY AND EQUIPMENT

Property and equipment as of August 31, 2020 and 2019, consisted of the following:

	2020	2019
Property and equipment:		
Land	$ 8,869,525	$ 8,869,525
Buildings and leasehold improvements	62,912,542	62,584,266
Furniture and equipment	10,564,603	12,106,581
Total property and equipment	82,346,670	83,560,372
Less accumulated depreciation and amortization	(41,423,026)	(41,142,839)
Property and equipment—net	$ 40,923,644	$ 42,417,533

Total depreciation and amortization expense for the years ended August 31, 2020 and 2019, was $2,046,973 and $2,187,897, respectively.

8. EMPLOYEE BENEFIT PLANS

The Association provides retirement benefits to substantially all employees through participation in a multiemployer defined benefit retirement plan. In addition, under a multiemployer health and welfare plan, the Association provides health insurance benefits to substantially all employees on a defined contribution basis and to certain retired employees on a defined benefit basis. Each plan is administered by a joint board of trustees. Contributions to these plans are determined by provisions of negotiated labor contracts.

The Association's participation in the multiemployer defined benefit retirement plan (the "Plan") for the years ended August 31, 2020 and 2019, is outlined in the following table:

Pension Fund	EIN/Pension Plan Number	Pension Protection Act Zone Status for the Years Ended December 31,		Contributions by the Association for the Years Ended August 31,		Surcharge Imposed	Expiration Date of Collective-Bargaining Agreement
		2019	2018	2020	2019		
California Teachers Association Employees' Retirement Benefits Plan	68-0427229-001	Yellow	Yellow	$ 21,404,014	$ 20,895,800	Yes	August 31, 2020

The Plan was established on January 1, 1999, to provide retirement, death, and disability benefits for eligible participants.

The Association subsequently entered into a new collective bargaining agreement with staff unions for the period from September 1, 2017, to August 31, 2020.

The Plan had net assets available for benefits of $352,082,542 and $318,291,436 as of December 31, 2019 and 2018, respectively. The actuarial present value of accumulated Plan benefits as of December 31, 2019 and 2018, was $482,194,923 and $466,210,222, respectively. The Plan received contributions of $24,333,851 and $23,447,674 for the years ended December 31, 2019 and 2018, respectively.

The Association's contributions represent more than 5% of the total contributions to the Plan for Plan years ended December 31, 2019 and 2018. The Pension Protection Act Zone Status is based on information that the Association received from the Plan and is certified by the Plan's actuary. Among other factors, plans in the red zone are generally less than 65% funded, plans in the yellow zone are less than 80% funded, and plans in the green zone are at least 80% funded. The Association accounted for approximately 86% of total employer contributions to the Plan for the years ended December 31, 2019 and 2018. The Plan was in endangered status in the Plan year ended December 31, 2019. However, the Plan was certified by the Plan actuary to be not making progress under the funding improvement plan (implemented in 2018). Consequently, the Board of Trustees adopted an updated funding improvement plan on September 17, 2019. On March 2, 2020, the Plan actuary certified to the U.S. Department of the Treasury and the Board of Trustees that the Plan is in critical status for the Plan Year beginning on January 1, 2020. On March 12, 2020, the Board of Trustees adopted a rehabilitation plan that replaced the 2019 updated funding improvement plan. The updated funding improvement plan adopted in 2019 and its replacement, the rehabilitation plan adopted in 2020, were both designed to restore the financial health of the Plan and put the Plan in the Green Zone as of January 1, 2031. As part of the new collective bargaining agreement with staff unions signed in August 2020, the Association made a one-time contribution of $3,000,000 to the defined benefit retirement plan in October 14, 2020. The contribution is included in accrued payroll and related liabilities in the combined statement of financial position as of August 31, 2020.

The Association participates in a multiemployer health and welfare plan that provides hospital, medical, dental, prescription drug, vision, and psychiatric care to all eligible participants. The Association's contributions to the health and welfare plan were $20,063,606 and $20,147,085 for the years ended August 31, 2020 and 2019, respectively.

The Association maintains a 401(k) retirement plan (the "401(k) Plan") covering substantially all full-time employees. The Association contributes annually to the 401(k) Plan based on the 401(k) Plan's provisions in accordance with employment agreements. The Association's contributions to the 401(k) Plan were $1,807,479 and $1,792,652 for the years ended August 31, 2020 and 2019, respectively.

9. RELATED-PARTY TRANSACTION

The Association is the Plan's sponsor for the Economic Benefits Trust (EBT), which provides certain welfare benefits to members of the Association. The senior management of the Association serves as the trustees of EBT. The Association and EBT have entered into an expense reimbursement agreement in which the Association provides certain administrative services and EBT reimburses the Association for its direct expenses. The expenses incurred on behalf of EBT were $1,533,028 and $1,540,263 for the years ended August 31, 2020 and 2019, respectively. The total amount due to EBT was $136,664 and $47,219 as of August 31, 2020 and 2019, respectively.

10. DEBT FACILITIES

The Association has a revolving loan agreement with Union Bank in the amount of $30,000,000. Interest is payable monthly at the London InterBank Offered Rate (LIBOR), plus 1.15%. The agreement also provides for a standby letter of credit for $1,000,000. At August 31, 2020 and 2019, there was no balance outstanding on the revolving loan. The agreement expires on October 1, 2024.

The Association is in compliance with the financial covenants of its revolving loan agreements as of the date the combined financial statements were available to be issued.

The Association obtained a line of credit from UBS Bank in the amount of $40,000,000 in December 2011. Interest is payable monthly at LIBOR, plus 1.00%. At August 31, 2020 and 2019, there was no balance outstanding on this line of credit.

11. LEASES

The Association occupies certain premises throughout California under rental agreements expiring at various dates through fiscal year 2021. Substantially all leases provide for minimum annual rentals with escalation clauses for specified cost increases.

For the years ended August 31, 2020 and 2019, gross rent expense amounted to approximately $1,232,602 and $1,245,336, respectively, and sublease rental income totaled approximately $39,834 and $37,826, respectively. The future minimum rental commitments for all noncancelable operating leases having initial terms in excess of one year as of August 31, 2020, are as follows:

	Rental Commitments	Sublease Income	Net Rental Commitments
2021	$ 992,066	$ 2,436	$ 989,630
2022	849,645	-	849,645
2023	693,118	-	693,118
2024	528,011	-	528,011
2025	142,381	-	142,381
Total	$ 3,205,221	$ 2,436	$ 3,202,785

12. DESIGNATED NET ASSETS

The following funds have been designated by the Association's board of directors for specific purposes:

Debt Service Fund—This fund was established for the purpose of debt servicing and reduction.

Political Allocation Fund—This fund serves as a funding structure through which the Association's members may give support for certain state and local issues and candidates for office.

Public Information Program Fund ("Media Fund")—The purpose of this fund is to provide funding for advertisements to educate the public about the achievements, problems, and needs of public education from preschool through graduate school.

Initiative Fund—This fund was established for the purpose of participating in the support of, or opposition to, certain ballot measures.

Independent Expenditures—This fund provides independent expenditures for candidates that align with CTA's values and advocacy agenda.

Advocacy Fund—The purpose of this fund is to promote policies to improve and fight back against attacks on public education.

Designated net assets without donor restrictions as of August 31, 2020 and 2019, are summarized as follows:

	Balance at August 31, 2019	Increase (Decrease) in Designated Net Assets During the Year	Balance at August 31, 2020
Debt service fund	$ 6,198,319	$ 140,365	$ 6,338,684
Political allocation fund	879,156	(512,677)	366,479
Media fund	7,175,272	1,243,586	8,418,858
Initiative fund	23,476,957	(5,643,011)	17,833,946
Independent expenditures	28,332	2,576,945	2,605,277
Advocacy fund	10,664,674	1,328,724	11,993,398
Total	$ 48,422,710	$ (866,068)	$ 47,556,642

13. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes:

Disaster Relief Fund—provides financial assistance to the Association members who have experienced losses due to disasters in California.

Net assets with donor restrictions as of August 31, 2020 and 2019, are summarized as follows:

	2020	2019
Disaster Relief Fund	$ 1,785,618	$ 1,755,144

Net assets that were released from donor restrictions by incurring expenses that satisfy their restricted purposes or by the occurrence of other events that satisfy donor restrictions during the years ended August 31, 2020 and 2019, were as follows:

	2020	2019
Purpose restrictions accomplished—Disaster Relief Fund	$ 110,242	$ 981,600

14. COMMITMENTS AND CONTINGENCIES

In the ordinary course of business, the Association is a party to claims and legal actions by members, vendors, and others. The Association's policy is to accrue for amounts related to these claims and legal actions if it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated. The combined financial statements reflect any liabilities that meet the policy described above. After consulting with legal counsel, the Association's management is of the opinion that any liability that may ultimately result from claims or legal actions will not have a material effect on the combined financial position or results of operations of the Association.

COVID-19 Pandemic

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The United States and global markets experienced significant declines in value resulting from uncertainty caused by the pandemic. The extent of the impact of COVID-19 on CTA's operational and financial performance will depend on certain developments and cannot be determined at this time. Accordingly, the extent to which COVID-19 may impact CTA's financial position and changes in net assets and cash flows in the future is uncertain.

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