

CALIFORNIA PARENTING
INSTITUTE dba
CHILD PARENT INSTITUTE

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

JUNE 30, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
California Parenting Institute
dba Child Parent Institute
Santa Rosa, California

We have audited the accompanying financial statements of California Parenting Institute dba Child Parent Institute (a nonprofit corporation), which comprise the statement of financial position as of June 30, 2020 and the related statements of activities, support, revenue 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 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.



Goranson and Associates, Inc.

717 College Avenue, First Floor, Santa Rosa, CA 95404 Phone: 707/542-1256 Fax 707/978-3090

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of California Parenting Institute dba Child Parent Institute as of June 30, 2020, 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 California Parenting Institute dba Child Parent Institute's financial statements for the year ended June 30, 2019, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 12, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Goranson and Associates, Inc.

January 13, 2021

Santa Rosa, CA

CALIFORNIA PARENTING INSTITUTE
 dba CHILD PARENT INSTITUTE
 STATEMENT OF FINANCIAL POSITION
 JUNE 30, 2020

(With summarized comparative totals for June 30, 2019)

	2020	2019
ASSETS		
Current assets:		
Cash	\$ 1,155,968	\$ 367,239
Short-term investments	235,765	333,001
Accounts receivable	357,562	580,210
Prepaid expenses and deposits	22,816	28,385
Total current assets	1,772,111	1,308,835
Fixed assets:		
Buildings	5,218,597	5,218,597
Furniture and equipment	220,775	228,451
Subtotal	5,439,372	5,447,048
Less accumulated depreciation	(2,402,808)	(2,273,104)
Net fixed assets	3,036,564	3,173,944
Other non-current assets:		
Long-term investments	117,838	214,292
Total assets	\$ 4,926,513	\$ 4,697,071

The accompanying notes are an integral part of these financial statements

CALIFORNIA PARENTING INSTITUTE
 dba CHILD PARENT INSTITUTE
 STATEMENT OF FINANCIAL POSITION
 JUNE 30, 2020

(With summarized comparative totals for June 30, 2019)

	2020	2019
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 257,041	\$ 310,242
Security deposits and other payables	11,670	11,670
Current portion of long-term debt	265,551	277,882
Total current liabilities	534,262	599,794
Long-term debt, net of current portion	2,839,221	2,339,025
Total liabilities	3,373,483	2,938,819
Net assets:		
Without donor restrictions:		
Undesignated	938,155	1,063,662
Board-designated operating reserves	485,600	485,600
Board-designated building reserves	100,000	100,000
Total net assets without donor restrictions	1,523,755	1,649,262
With donor restrictions	29,275	108,990
Total net assets	1,553,030	1,758,252
Total liabilities and net assets	\$ 4,926,513	\$ 4,697,071

The accompanying notes are an integral part of these financial statements

CALIFORNIA PARENTING INSTITUTE
dba CHILD PARENT INSTITUTE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020
(with summarized comparative totals for the year ended June 30, 2019)

	Without donor restriction	With donor restriction	2020 Total	2019 Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
SUPPORT AND REVENUE:				
Grants and contracts	\$ 3,403,180		\$ 3,403,180	\$ 3,834,438
Contributions	251,027	\$ 525	251,552	120,899
Fees	109,730	-	109,730	133,828
Community event	21,848	-	21,848	22,700
Special events	(100)	-	(100)	4,550
Investment income	13,004	-	13,004	24,190
Other income	123,944	-	123,944	109,835
Gain(loss) on sale of asset	(8,199)		(8,199)	-
Net assets released from restriction	80,240	(80,240)	-	-
Total support and revenue	<u>3,994,674</u>	<u>(79,715)</u>	<u>3,914,959</u>	<u>4,250,440</u>
EXPENSES:				
Program	3,649,396		3,649,396	4,098,750
Management and general	448,018		448,018	289,851
Fundraising	42,946		42,946	140,934
Total expenses	<u>4,140,360</u>		<u>4,140,360</u>	<u>4,529,535</u>
Change in net assets before other revenue	<u>(145,686)</u>		<u>(225,401)</u>	<u>(279,095)</u>
OTHER REVENUE:				
Realized gain on investments	5,464		5,464	2,722
Unrealized gain on investments	(6,880)		(6,880)	4,633
Rental income, net of expenses	21,595		21,595	5,978
Total other income	<u>20,179</u>		<u>20,179</u>	<u>13,333</u>
CHANGE IN NET ASSETS	(125,507)	(79,715)	(205,222)	(265,762)
NET ASSETS, beginning	<u>1,649,262</u>	<u>108,990</u>	<u>1,758,252</u>	<u>2,024,014</u>
NET ASSETS, ending	<u>\$ 1,523,755</u>	<u>\$ 29,275</u>	<u>\$ 1,553,030</u>	<u>\$ 1,758,252</u>

The accompanying notes are an integral part of these financial statements

CALIFORNIA PARENTING INSTITUTE
dba CHILD PARENT INSTITUTE
STATEMENT OF SUPPORT, REVENUE AND FUNCTIONAL EXPENSE
FOR THE YEAR ENDED JUNE 30, 2020
(with summarized comparative totals for the year ended June 30, 2019)

SUPPORT AND REVENUE:	Program	Management and General	Fundraising	2020 Total	2019 Total
Grants and contracts	\$ 3,368,180	\$ 35,000		\$ 3,403,180	\$ 3,834,438
Fees	109,730	-		109,730	133,828
Contributions	66,197	185,355		251,552	120,899
Community events	21,848	-		21,848	22,700
Special events	-	(100)		(100)	4,550
Investment income	-	6,124		6,124	24,190
Gain(Loss) on investments	-	5,464		5,464	7,355
Gain(Loss) on sale of assets	(5,645)	(2,554)		(8,199)	-
Other income	103,806	20,138		123,944	109,835
Total support and revenue	<u>3,664,116</u>	<u>249,427</u>		<u>3,913,543</u>	<u>4,257,795</u>
EXPENSES:					
Salaries and wages	2,537,788	203,423	\$ 37,516	2,778,727	3,076,807
Payroll tax expenses	207,848	15,930	2,677	226,455	254,486
Employee benefits	218,160	13,619	2,379	234,158	248,357
Occupancy	61,511	51,944	-	113,455	110,308
Professional fees	73,141	71,995	-	145,136	167,939
Interest expense	46,279	15,724	-	62,003	71,233
Depreciation	26,738	78,177	-	104,915	143,081
Supplies and equipment	201,784	11,985	374	214,143	168,502
SCBC expense	4,222	-	-	4,222	23,608
Computer support	13,317	30,623	-	43,940	35,618
Travel and conferences	40,394	695	-	41,089	55,431
Communications	15,669	8,634	-	24,303	22,165
Insurance	-	41,354	-	41,354	43,165
Community outreach	16,832	710	-	17,542	20,456
Postage and printing	1,776	1,807	-	3,583	4,694
Equipment rental and repair	20,875	8,066	-	28,941	21,276
Other operating expense	36,702	19,692	-	56,394	62,409
Indirect Cost Allocation	126,360	(126,360)	-	-	-
Total expenses	<u>3,649,396</u>	<u>448,018</u>	<u>42,946</u>	<u>4,140,360</u>	<u>4,529,535</u>
CHANGE IN NET ASSETS	<u>\$ 14,720</u>	<u>\$ (198,591)</u>	<u>\$ (42,946)</u>	<u>\$ (226,817)</u>	<u>\$ (271,740)</u>

The accompanying notes are an integral part of these financial statements

CALIFORNIA PARENTING INSTITUTE
dba CHILD PARENT INSTITUTE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020
(with summarized comparative totals for the year ended June 30, 2019)

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (205,222)	\$ (265,762)
Adjustments to reconcile change in net assets to cash from operations		
Depreciation and amortization	165,454	203,621
Realized gain on investments	(5,464)	(2,722.00)
Unrealized gain on investments	6,880	(4,633.00)
(Increase) decrease in:		
Accounts and grants receivable	222,648	20,351
Prepaid expenses and deposits	5,569	20,205
Increase (decrease) in:		
Accounts payable and accrued expenses	(53,201)	(11,566)
Security deposits and other payables	-	(52,094)
Total cash used by operations	<u>136,664</u>	<u>(92,600)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Change in investments	192,276	(17,552)
Disposal of property and equipment	(28,076)	-
Total cash used by investing activities	<u>164,200</u>	<u>(17,552)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings of long-term debt	589,100	-
Principal payments on long-term debt	(101,235)	(82,929)
Total cash used by financing activities	<u>487,865</u>	<u>(82,929)</u>
NET CHANGE IN CASH	788,729	(193,081)
CASH, beginning of year	<u>367,239</u>	<u>560,320</u>
CASH, end of year	<u>\$ 1,155,968</u>	<u>\$ 367,239</u>
Supplemental information:		
Cash paid for interest	<u>\$ 91,673</u>	<u>\$ 101,699</u>

The accompanying notes are an integral part of these financial statements

CALIFORNIA PARENTING INSTITUTE
dba CHILD PARENT INSTITUTE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 ORGANIZATION

California Parenting Institute dba Child Parent Institute (CPI) is a family resource center founded in 1978 in Sonoma County. CPI's mission is to end child abuse and strengthen the health of children, parents and families. CPI provides education and counseling for parents and children. CPI treats children and families who have experienced trauma and abuse. CPI has been designated by the State of California as the county's provider of treatment for child victims of abuse and neglect. Primary sources of revenue and support include government funding, program fees, and contributions.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation – CPI reports information regarding its financial position and activities on an accrual basis according to two classes of net assets: net assets without donor restriction and net assets with donor restriction.

Net assets without donor restriction – Net assets that are not subject to donor-imposed restrictions. These also may be designated for specific purposes by action of the Board of Directors.

Net assets with donor restriction – Net assets that are subject to donor-imposed stipulations that may be fulfilled by actions of CPI to meet the stipulations or that become net assets without donor restriction at the date specified by the donor.

Net assets released from donor restriction – Net assets with donor restriction are “released” to net assets without donor restriction when the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed.

Other Basis of Presentation Policies – Revenues or support are reported as increases in net assets without restriction unless subject to donor-imposed restrictions. If temporary restrictions are fulfilled in the same time period the revenue or support is received, CPI reports the revenue or support as unrestricted. Expenses are reported as decreases in net assets without restriction. Gains and losses on investments and other assets of liabilities are reported as increases or decreases in net assets without restriction unless restricted by explicit donor stipulation or by law.

Cash and Cash Equivalents – Cash equivalents consist primarily of money market accounts and other investments with an original maturity of 90 days or less.

Concentration of Credit Risk – CPI maintains cash balances at institutions insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The amount in excess of the FDIC limit totaled \$866,235 at June 30, 2020. In addition, at times during the year, CPI held cash and cash equivalent balances in excess of federally insured limits.

CALIFORNIA PARENTING INSTITUTE
dba CHILD PARENT INSTITUTE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Accounts receivable – Accounts receivable consists primarily of contract fees and grant reimbursements due to CPI. Management believes that all receivables are collectable and, therefore, an allowance for uncollectable receivables is not recorded.

Property and Equipment – Property and equipment are stated at cost and depreciated or amortized using the straight-line method over estimated useful lives of 3 to 39 years. Contributed property and equipment is recorded at fair market value at the date of donation. In the absence of donor stipulations, all contributions of property and equipment are recorded as unrestricted support and depreciated or amortized over the asset's estimated useful life. CPI capitalizes property and equipment if cost equals or exceeds \$5,000.

CPI reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and the gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those assets must be maintained; CPI reports expiration of donor restrictions when the donated or acquired long-lived assets are placed in service.

Assets purchased with grantor funds are expensed in the period acquired in accordance with the grantor's funding terms and conditions.

Income Taxes – CPI is exempt from Federal and State Income taxes under Internal Revenue Code Section 501(c)(3) and California Franchise Tax Board Code Section 23701d. Therefore, no provision for income taxes has been made in the accompanying financial statements. In addition, the Internal Revenue Service has determined the Organization is not a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code.

Management of CPI considers the likelihood of changes by taxing authorities in its filed tax returns and recognizes a liability for or discloses potential significant changes if management believes it is more likely than not for a change to occur, including changes to the CPI's status as a not-for-profit entity. Management believes CPI met the requirements to maintain its tax-exempt status and, therefore, no provision for income taxes has been provided in these financial statements. CPI does file an unrelated business income tax return to report certain unrelated income items. The CPI's tax returns for the past three years are subject to examination by tax authorities and may change upon examination.

CALIFORNIA PARENTING INSTITUTE
dba CHILD PARENT INSTITUTE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Fair Value Measures – CPI reports its fair value measures by using a fair value hierarchy defined by generally accepted accounting principles (GAAP) that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3).

The three level of the fair value hierarchy under GAAP are:

Level 1 – Unadjusted quoted prices in active markets accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – 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, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 – Prices for valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (inputs are supported by little or no market activity).

Use of estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, 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.

Allocation of Expenses – CPI's expenses are presented on a functional basis, showing basic program activities and support services. CPI allocates expenses to program and support services based on the organizational cost centers in which expenses are incurred. In certain instances, expenses are allocated between support and program services based upon a systematic methodology.

Allocation methodology - CPI allocates personnel expenses based on analyses of staff's time per program or department. Indirect program charges are based on direct staff percentages. Common space allocations are allocated based on square footage.

CALIFORNIA PARENTING INSTITUTE
 dba CHILD PARENT INSTITUTE
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Summarized financial information – The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with CPI'S financial statements for the year ended June 30, 2019, from which the summarized information was derived.

NOTE 3 LIQUIDITY

CPI manages its liquidity and reserves following three guiding principles: operating within a prudent range of needs and maintaining sufficient reserves to provide reasonable assurance that long term obligations will be discharged.

As part of liquidity management plan, CPI invests cash in excess of daily requirements in short-term investments, CDs, and money market funds. The Board has designated a portion of operating surplus to its operating reserve and building reserves, at June 30, 2020 is \$485,600 and \$100,000 respectively.

Financial assets at year end	
Cash, cash equivalents and short-term investments	\$ 1,391,733
Accounts receivables	357,562
Investments	117,838
Total financial assets	1,867,133
Less those unavailable for general expenditures within one year due to:	
Board designated reserves	(585,600)
Donor restricted funds (by time or purpose)	(29,275)
Financial assets available to meet cash needs for general expenditures within one year	\$ 1,837,858

CALIFORNIA PARENTING INSTITUTE
 dba CHILD PARENT INSTITUTE
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2020

NOTE 4 ACCOUNTS RECEIVABLE

Accounts receivable consist of the following at June 30, 2020:

Sonoma County Office of Education	\$	156,226
County of Sonoma		114,408
CA Governor's Office of Emergency Services		23,385
Meausre O		13,500
First 5		19,074
Marin Health and Human Services		11,039
Other receivables		19,930
Total	\$	<u>357,562</u>

NOTE 5 FAIR VALUE MEASUREMENTS AND INVESTMENTS

The following table presents the assets and liabilities recognized in the accompanying statements of financial position that are measured at fair value on a recurring basis and the level within the fair value hierarchy in which those fair value measurements fall at June 30, 2020:

	Level 1	Level 2	Total
Mutual Funds	\$ 235,765		\$ 235,765
Pooled investment funds	-	\$ 117,838	117,838
Total	\$ 235,765	\$ 117,838	\$ 353,603

Investment earnings are as follows for the year ended June 30, 2020:

Dividends and interest	\$	13,004
Realized gains		5,464
Unrealized gains		(6,880)
Total investment income	\$	<u>11,588</u>

CALIFORNIA PARENTING INSTITUTE
dba CHILD PARENT INSTITUTE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 6 ACCRUED VACATION AND SICK LEAVE

Accumulated unpaid employee vacation benefits are recognized as liabilities of CPI. The value of accrued vacation at June 30, 2020 was \$85,187.

Sick leave benefits are accumulated for each employee. The employees do not gain a vested right to accumulated sick leave. Accumulated sick leave benefits are not recognized as liabilities since payment of such benefits is not probable. Therefore, sick leave benefits are recorded as expenses in the period taken.

NOTE 7 BANK LINE OF CREDIT

CPI has renewed a \$200,000 unsecured revolving line of credit, with variable interest payable at 4.25 percent or 1.9 percent over the prime rate as published in the Western Edition of the Wall Street Journal at June 30, 2020. The credit line matures November 2021. There is no balance at June 30, 2020.

NOTE 8 LONG-TERM DEBT

At June 30, 2020, long term debt consists of the following:

A note payable to a bank was refinanced on March 17, 2014 with a maturity date of June 1, 2020. Principal and interest payments are \$11,993 for the first sixty-four months with a balloon payment estimated at \$1,889,193 due on June 1, 2020. The note was refinanced August 25, 2016, and the maturity date was extended to June 1, 2026. Principal and interest totaling \$10,526 are paid monthly with a balloon payment estimated at \$1,510,383 due on June 1, 2026. Interest is at a fixed rate of 4 percent for the first sixty months. A minimum interest rate of 4 percent can be reset once on August 1, 2021. The note is secured by the building which houses the main operations of CPI. \$ 1,850,431

A note payable to Northern Trust Bank with a maturity date of November 6, 2020 was signed on November 6, 2015 backed by a security agreement. Outstanding principal will accrue interest daily at the rate of 2.17 percent per annum and no principal is due for the first year of the loan. Principal and interest are payable November 2016, to be paid in 60 consecutive monthly installments of principal and interest totaling \$4,112 per month. The balloon payment due November 2024 is \$492,136 The loan was refinanced and extended the maturity until November 4, 2024. 643,084

CALIFORNIA PARENTING INSTITUTE
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 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2020

NOTE 8 LONG-TERM DEBT, continued

A note payable to Sonoma County Community Development Commission for \$29,000 with a maturity date of April 2035. The interest rate is two percent annually. Monthly payments are \$152. Payments commenced May 2015 and end on the maturity date.

22,157

A Paycheck Protection Program note payable to the Small Business Administration via Poppy Bank for \$589,100 with a maturity date of May 2022. The interest rate is one percent annually. There are no monthly payments required until November 2020. If all requirements of the note are met, the loan is forgivable.

589,100

Total notes payable	3,104,771
Less current portion	<u>(536,028)</u>
Noncurrent portion	<u>\$ 2,568,744</u>

Future maturities are as follows at June 30:

2021		\$	265,551
2022			389,219
2023			196,247
2024			100,616
2025			582,035
Thereafter			<u>1,571,104</u>
Total notes payable		\$	<u><u>3,104,772</u></u>

NOTE 9 NET ASSETS WITH DONOR RESTRICTION

Net assets with donor restriction are available for the following purposes at June 30, 2020:

Sonoma County Breastfeeding Coalition (SCBC)	\$	17,866
Sonoma County Adverse Childhood Experiences (ACES)		4,409
Other programs		<u>7,000</u>
Total	\$	<u><u>29,275</u></u>

CALIFORNIA PARENTING INSTITUTE
dba CHILD PARENT INSTITUTE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 10 BOARD-DESIGNATED RESERVES

The Board of Directors approved two reserves: an operating reserve in the amount of \$485,600 and a building reserve in the amount of \$100,000 for future repairs and maintenance. The total board-designated reserves, which are assets without restriction, are \$585,600 at June 30, 2020.

NOTE 11 BENEFICIAL INTEREST IN ENDOWMENT

Two endowment funds have been established at the Community Foundation of Sonoma County (Foundation) whereby CPI is the beneficiary of the income earned from the endowments. In accordance with the agreement, the annual net earnings from the funds are available to CPI from the Foundation, according to a formula set by the Foundation. At June 30, 2020, the value of the assets held for CPI at the Foundation are \$104,823 and \$211,893 totaling \$316,716, of which \$113,423 was available for use.

NOTE 12 TAX-DEFERRED ANNUITY PLAN

CPI provides a tax-deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code (IRS). Employees may make voluntary contributions to the plan up to the maximum amount allowed by the IRS. CPI does not make any contributions to the plan.

NOTE 13 CONTINGENCIES

CPI receives a substantial portion of its support from governmental grants which makes up 82 percent of total income received and 99 percent of total grants received. The ultimate determination of these programs generally is based upon allowable costs reported to and accounted for the funding agencies. A significant reduction in the level of this support may have an effect on CPI's programs.

NOTE 14 SUBSEQUENT EVENTS

CPI has evaluated subsequent events through January 13, 2021, the date the financial statements were available to be issued. In January 2020, COVID-19 emerged and has subsequently spread worldwide. The World Health Organization has declared COVID-19 a pandemic resulting in federal, state and local governments and private entities mandating various restrictions. This could have a material effect on CPI's operations, financial position, and cash flows.