



Financial Statements
April 30, 2020 and 2019

Colorado Society of Certified Public Accountants

Colorado Society of Certified Public Accountants

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Independent Auditor's Report

The Board of Directors
Colorado Society of Certified Public Accountants
Englewood, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of Colorado Society of Certified Public Accountants which comprise the statements of financial position as of April 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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 audits 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 Colorado Society of Certified Public Accountants as of April 30, 2020 and 2019, 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.

Eide Sallee LLP

Denver, Colorado

July 21, 2020

Colorado Society of Certified Public Accountants

Statements of Financial Position

April 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets		
Cash and cash equivalents	\$ 248,295	\$ 277,861
Accounts receivable, net	67,661	67,321
Prepaid expenses and other assets	38,497	62,717
Investments	2,301,088	2,536,582
Property and equipment, net	<u>161,939</u>	<u>134,632</u>
Total Assets	<u>\$ 2,817,480</u>	<u>\$ 3,079,113</u>
Liabilities and Net Assets		
Accounts payable	\$ 82,828	\$ 131,169
Accrued liabilities	209,135	177,403
Deferred revenue	<u>167,067</u>	<u>167,553</u>
Total Liabilities	<u>459,030</u>	<u>476,125</u>
Net Assets Without Donor Restrictions		
Undesignated	1,358,450	1,602,988
Designated by the Board for operating reserve	<u>1,000,000</u>	<u>1,000,000</u>
Total Net Assets Without Donor Restrictions	<u>2,358,450</u>	<u>2,602,988</u>
Total Liabilities and Net Assets	<u>\$ 2,817,480</u>	<u>\$ 3,079,113</u>

Colorado Society of Certified Public Accountants

Statements of Activities

Years Ended April 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating Revenue, Support, and Gains		
Membership dues	\$ 1,872,590	\$ 1,819,975
Member activities, events, and services	111,223	95,390
Continuing professional education	1,451,142	1,140,211
Peer review fees	231,017	240,443
Advertising and sponsorships	63,250	73,495
Royalties and promotion	46,583	60,592
Interest and other income	4,765	7,735
	<u>3,780,570</u>	<u>3,437,841</u>
Expenses		
Program Services		
Member services	1,168,873	1,368,528
Continuing professional education	1,446,070	1,322,209
Peer review services	262,983	218,064
	<u>2,877,926</u>	<u>2,908,801</u>
Supporting Services		
General administrative	902,962	746,069
	<u>3,780,888</u>	<u>3,654,870</u>
Change in Net Assets before net non-operating investment (loss) return	(318)	(217,029)
Net non-operating investment (loss) return	(244,220)	69,442
Change in Net Assets Without Donor Restrictions	(244,538)	(147,587)
Net Assets Without Donor Restrictions, Beginning of Year	<u>2,602,988</u>	<u>2,750,575</u>
Net Assets Without Donor Restrictions, End of Year	<u>\$ 2,358,450</u>	<u>\$ 2,602,988</u>

Colorado Society of Certified Public Accountants
Statement of Functional Expenses
Year Ended April 30, 2020

	Program Services			Total Program Services	General Administrative	Total
	Member Services	Continuing Professional Education	Peer Review			
Labor and related expenses	\$ 444,872	\$ 291,964	\$ 199,976	\$ 936,812	\$ 604,284	\$ 1,541,096
Content fees and materials	2,751	536,665	-	539,416	-	539,416
Professional services	188,010	165,077	8,129	361,216	53,746	414,962
Events, travel, and meetings	174,124	161,238	18,189	353,551	13,053	366,604
Occupancy	111,194	78,776	15,559	205,529	83,663	289,192
Technology	103,684	66,824	12,966	183,474	65,886	249,360
Marketing and promotion	63,610	85,226	-	148,836	-	148,836
Office expenses	6,915	4,640	2,099	13,654	61,884	75,538
Other	10,235	39,737	2,587	52,559	1,225	53,784
Depreciation and amortization	19,382	13,731	2,712	35,825	14,583	50,408
Contributions	40,758	-	-	40,758	-	40,758
Insurance	3,338	2,192	766	6,296	4,638	10,934
Total expenses included in the expense section on the statement of activities	<u>\$ 1,168,873</u>	<u>\$ 1,446,070</u>	<u>\$ 262,983</u>	<u>\$ 2,877,926</u>	<u>\$ 902,962</u>	<u>\$ 3,780,888</u>

Colorado Society of Certified Public Accountants
Statement of Functional Expenses
Year Ended April 30, 2019

	Program Services			Total Program Services	General Administrative	Total
	Member Services	Continuing Professional Education	Peer Review			
Labor and related expenses	\$ 597,864	\$ 271,599	\$ 175,879	\$ 1,045,342	\$ 483,764	1,529,106
Content fees and materials	2,295	423,783	-	426,078	-	426,078
Professional services	209,746	151,549	8,566	369,861	43,671	413,532
Events, travel, and meetings	183,978	174,102	4,757	362,837	18,701	381,538
Occupancy	112,855	103,441	9,204	225,500	62,216	287,716
Technology	106,009	50,919	12,424	169,352	61,658	231,010
Marketing and promotion	67,064	87,057	-	154,121	-	154,121
Office expenses	9,310	4,164	2,481	15,955	59,055	75,010
Depreciation and amortization	22,001	20,168	1,794	43,963	12,130	56,093
Other	13,982	33,576	2,221	49,779	1,478	51,257
Contributions	39,285	-	-	39,285	-	39,285
Insurance	4,139	1,851	738	6,728	3,396	10,124
Total expenses included in the expense section on the statement of activities	<u>\$ 1,368,528</u>	<u>\$ 1,322,209</u>	<u>\$ 218,064</u>	<u>\$ 2,908,801</u>	<u>\$ 746,069</u>	<u>\$ 3,654,870</u>

Colorado Society of Certified Public Accountants

Statements of Cash Flows
Years Ended April 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Membership dues receipts	\$ 1,904,147	\$ 1,809,795
Member activities, events, and services receipts	118,544	90,701
Continuing professional education receipts	1,412,057	1,182,316
Peer review fee receipts	236,834	213,411
Advertising and sponsorship receipts	56,765	75,075
Royalty and promotion receipts	46,614	59,510
Interest and miscellaneous receipts	4,784	3,183
Payments for salaries, benefits, and taxes	(1,511,359)	(1,522,586)
Payments to vendors	<u>(2,211,012)</u>	<u>(1,959,736)</u>
Net cash from (used for) operating activities	<u>57,374</u>	<u>(48,331)</u>
Cash flows from investing activities:		
Purchases of investments	(438,651)	(91,900)
Proceeds from sale of investments	429,925	91,774
Purchases of property and equipment	<u>(78,214)</u>	<u>(14,975)</u>
Net cash used for investing activities	<u>(86,940)</u>	<u>(15,101)</u>
Net Change in Cash and Cash Equivalents	(29,566)	(63,432)
Cash and Cash Equivalents, Beginning of Year	<u>277,861</u>	<u>341,293</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 248,295</u></u>	<u><u>\$ 277,861</u></u>

Note 1 - Nature of the Organization

The Colorado Society of Certified Public Accountants (the COCPA) is a nonprofit organization whose mission is to support its members in providing quality professional services to serve the public interest. The COCPA's revenues are derived primarily from dues that it charges its members, who are located primarily in the State of Colorado, and continuing professional education fees.

Description of Activities

The COCPA's activities include the following:

Member Services

Develops and provides services and benefits to members. Offers activities to assist members in understanding and adjusting to changes in the economic, political, social, and technological environment. Provides opportunities for members to participate in community, business, legislative, educational, and other activities where their expertise is needed. Includes networking, technical support, and legislative and regulatory representation and advocacy. Also includes programs and activities to recruit students into the profession and promote the profession to the public.

Continuing Professional Education

Provides educational instruction and materials on accounting, auditing, taxation, and other topics important to accounting professionals to assist in the continuing development of their professional expertise.

Peer Review Services

Provides services to members and nonmembers who are engaged in the practice of public accounting and are enrolled in an approved practice-monitoring program, which monitors professional performance to enforce professional standards.

General Administrative

Provides overall direction, general record keeping, business management, general public relations, board of directors' activities, and other.

Note 2 - Summary of Significant Accounting Policies**Recently Adopted Accounting Standards**

As of January 1, 2019, FASB Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers*, as amended, supersedes or replaces nearly all GAAP revenue recognition guidance. These standards require five basic steps: (1) identify the contract with the customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract and (v) recognize when (or as) the entity satisfies the performance obligation. These standards change the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosures about revenue. The COCPA has implemented Topic 606 on a modified retrospective basis, with no effect on net assets, and has adjusted the presentation in these financial statements accordingly.

As of January 1, 2019, FASB has issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, to clarify and improve the scope and the accounting guidance for contributions received and contributions made. This standard assists the COCPA in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The COCPA has implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with the implementation of ASU 2018-08. The COCPA's revenue is primarily generated from exchange transactions, therefore there were no material changes in revenue related to the adoption of this guidance.

Cash and Cash Equivalents

The COCPA considers all cash and highly liquid financial instruments with original maturities of three months or less, and which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents.

Accounts Receivable

Receivables from contracts with customers are reported as accounts receivable, net in the accompanying statements of financial position, and are stated at the amount management expects to collect from outstanding balances. Management determines the allowance for uncollectible accounts receivable based on historical experience and a review of subsequent collections. Balances that are outstanding after management has used reasonable collection efforts are written off. At April 30, 2020 and 2019, management believes the amount of uncollectible balances to be insignificant to the financial statements.

Investments

Investment purchases are initially recorded at cost. Thereafter, investments are reported at fair value in the statements of financial position. Net investment return (loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Property and Equipment

Property and equipment additions over \$1,000 are recorded at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from two to ten years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Expenditures for maintenance, repairs, and minor replacements that do not improve or extend the useful lives of the respective assets are expensed currently.

The COCPA reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended April 30, 2020 and 2019.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor- (or certain grantor-) imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor- (or certain grantor-) imposed restrictions. The COCPA board may designate assets without donor restrictions for specific operational purposes from time to time. The board has designated, from net assets without donor restrictions, net assets for an operating reserve of \$1,000,000 as of April 30, 2020 and 2019, respectively.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The COCPA had no net assets with donor restrictions as of April 30, 2020 and 2019.

The COCPA reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Measure of Operations

The statements of activities report all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the COCPA's ongoing activities. Non-operating activities are limited to resources that generate return from investments.

Revenue Recognition

The COCPA recognizes membership dues revenue over the membership period, which is generally not longer than one year. The performance obligation consists of monthly access to benefits based on membership period, and is recognized ratably as services are simultaneously received and consumed by the members.

All other revenues are recognized at a point in time based on when the performance obligation is satisfied. These revenues include member activities, events, and services; continuing professional education; peer review fees; and advertising and sponsorship. Performances obligations are fulfilled when the activity or event occurs, when services are provided, when course is offered or made available online, when a firm is enrolled in the peer review program, or when the promotional obligations are satisfied, respectively. Contract liabilities are reported as deferred revenue in the accompanying statements of financial position. As of April 30, 2020 and 2019, the COCPA recorded deferred revenue, which represents the portion of revenue collected during the fiscal year that applies to the subsequent year's activity (Note 6).

Contributed Services

Contributed services are recorded if they create or enhance nonfinancial assets or require specialized skills that are provided by an individual possessing those skills and would typically need to be purchased if not provided by donation. No significant contributed services were received during the years ended April 30, 2020 and 2019. A significant portion of the COCPA's functions, which are conducted by unpaid volunteers, is not reflected in the accompanying financial statements because it does not meet the criteria for recognition by accounting principles generally accepted in the United States of America (GAAP).

Advertising Costs

The COCPA uses advertising to promote its programs. Advertising costs, including professional advertising services provided by a major vendor, are expensed as incurred and totaled \$219,372 and \$213,570 for continuing professional education and \$149,515 and \$139,150 for member services, for the years ended April 30, 2020 and 2019, respectively.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. The expenses that are allocated include: labor and related expenses, office, and insurance, which are allocated on the basis of time and effort; as well as occupancy, depreciation and amortization, which are allocated on a square-footage basis. Technology expenses related to the revenue-generating activities are allocated based on revenue, while other technology expenses are allocated based on time and effort. Insurance expenses related to the revenue-generating activities are allocated based on revenue, while other technology expenses are allocated based on time and effort. Events, travel and meeting expenses related to the usage of vehicles are allocated based on purpose, while other events, travel and meeting expenses are allocated based on time and effort.

Income Taxes

The COCPA is exempt from federal income taxes under Section 501(c)(6) of the Internal Revenue Code. However, income from activities not directly related to the COCPA's tax-exempt purpose is subject to taxation as unrelated business income. The COCPA's unrelated business income primarily represents advertising revenue associated with the COCPA's *NewsAccount* publication, website, and real property rental. The COCPA did not incur any material income tax expense from these unrelated activities for the years ended April 30, 2020 and 2019.

Management believes that the COCPA has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The COCPA would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred. The COCPA's Form 990, 990-T's and other income tax filings required by state, local, or non-U.S. tax authorities are no longer subject to tax examination for years before 2017.

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 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, and those differences could be material.

Financial Instruments and Credit Risk

The COCPA manages deposit concentration risk by placing cash and money market accounts with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the COCPA has not experienced losses in any of these accounts. Credit risk associated with accounts receivable is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from members. Investments are managed by diversified investment managers who are selected by the Investment Committee of the Board of Directors and whose performance is monitored by the COCPA's management and the Investment Committee. Although the fair values of investments are subject to fluctuation on a year-to-year basis, management and the Investment Committee believe that the investment policies and guidelines are prudent for the long-term welfare of the COCPA.

Concentration Risk

Significant customers and vendors are those that account for greater than 10% of the COCPA's revenues and expenses.

The COCPA has one major vendor that supports the website and association management system software as a service subscription and supplies marketing, communications, and IT consulting. Transactions with this vendor, including fees and reimbursement for equipment and services purchased on behalf of the COCPA, accounted for \$469,856 and \$483,952 or 13% of total expenses for the years ended April 30, 2020 and 2019, respectively. This vendor provides services to the COCPA which can be replaced by alternative vendors should the need arise; however, the COCPA expects to maintain this relationship with the vendor.

Subsequent Events

The COCPA's financial statements include adjustments to fair value resulting from declines in the market associated with the world-wide coronavirus pandemic. The COCPA is closely monitoring its investment portfolio, operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the date of issuance of these financial statements, the full impact to the COCPA's financial position is not known.

The COCPA has evaluated subsequent events through July 21, 2020, the date at which the financial statements were available to be issued.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Note 3 - Liquidity and Availability

The COCPA's financial assets available within one year of the statement of financial position date for general expenditure are as follows as of April 30, 2020 and 2019:

	2020	2019
Cash and cash equivalents	\$ 248,295	\$ 277,861
Accounts receivable, net	67,661	67,321
Investments appropriated for operational use	125,400	117,450
	<u>\$ 441,356</u>	<u>\$ 462,632</u>

The COCPA's financial assets have been reduced by amounts not available for general use because of the COCPA's investment distribution policy, which limits investment return for operations to 5% of the average of the fair values of the investment assets at the end of the previous three calendar years. Amounts in excess of this 5% limit may be expended at the resolution of the Board of Directors. In addition, the Board of Directors designated \$1,000,000 for operating reserves as of April 30, 2020 and April 30, 2019, respectively. Although the COCPA does not intend to spend from this board-designated fund (other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation), these amounts could be made available if necessary. To help manage unanticipated liquidity needs, the COCPA has committed a line of credit in the amount of \$225,000 upon which it could draw (Note 7).

Note 4 - Fair Value Measurements and Disclosures

Certain assets are reported at fair value in the financial statements. Fair value is the price that would be received to sell an asset in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique.

Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset based on the best information available.

A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets that the COCPA can access at the measurement date.

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

Level 3 – Unobservable inputs for the asset. In these situations, inputs are developed using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to the entire measurement requires judgment, taking into account factors specific to the asset. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the COCPA's assessment of the quality, risk, or liquidity profile of the asset.

All of the COCPA's investment assets are classified within Level 1 because they are composed of mutual funds with readily determinable fair values based on daily redemption values. The following table presents assets measured at fair value on a recurring basis at April 30, 2020 and 2019:

	2020	2019
Level 1 Investments:		
Mutual funds:		
Bond funds	\$ 785,156	\$ 779,622
Domestic equities	839,583	940,280
International equities	508,660	619,870
Real estate funds	112,735	132,002
Commodities	54,954	64,347
Other	-	461
	<u>\$ 2,301,088</u>	<u>\$ 2,536,582</u>

Note 5 - Property and Equipment

Property and equipment consists of the following as of April 30, 2020 and 2019:

	2020	2019
Furniture and equipment	\$ 259,797	\$ 259,797
Computer hardware and software	322,829	279,156
Automobile	34,540	-
Leasehold improvements	10,286	10,285
	<u>627,452</u>	<u>549,238</u>
Less: accumulated depreciation and amortization	<u>(465,513)</u>	<u>(414,606)</u>
	<u>\$ 161,939</u>	<u>\$ 134,632</u>

Note 6 - Deferred Revenue

Deferred revenue consists of the following as of April 30, 2020 and 2019:

	2020	2019
Membership dues	\$ 110,147	\$ 78,590
Continuing professional education	51,990	80,517
Other	4,930	8,446
	<u>\$ 167,067</u>	<u>\$ 167,553</u>

Note 7 - Line of Credit

Effective April 2, 2020, the COCPA renewed its line of credit agreement with a financial institution for \$225,000 that matures on June 2, 2021. There were no borrowings against the line during the year ended April 30, 2020 and 2019. The line bears interest at the *Wall Street Journal* Prime lending rate plus 1%, or a floor of 4.75% (4.75% and 6.5% as of April 30, 2020 and 2019, respectively). Under terms of the line of credit, the COCPA is required to maintain a minimum liquidity ratio and net asset balance.

Note 8 - Profit Sharing/401(k) Plan and Trust

Effective May 1, 1985, the COCPA established, as a separate accounting entity, the Colorado Society of CPAs Profit Sharing/401(k) Plan and Trust for the benefit of eligible COCPA employees. Both full-time and part-time employees of at least age 21 are eligible immediately upon commencing employment. Traditional and Roth 401(k) options are available. Under the Roth 401(k) option, participants may make post-tax elective deferrals in addition to, or instead of, pre-tax elective deferrals under the traditional 401(k) option. A participant's combined elective deferrals cannot exceed the IRS limits for traditional 401(k) deferrals. The COCPA has adopted Safe Harbor 401(k) provisions under which it matches participant contributions up to 5% of compensation. The COCPA's contribution expense for the years ended April 30, 20 and 2019 was \$51,684 and \$52,995, respectively. Neither the assets nor the liabilities of the profit sharing/401(k) plan and trust are reflected in these financial statements.

Note 9 - Commitments

The COCPA entered into a lease amendment for its office facilities in June 2017, relinquishing a portion of the premises and extending the lease term on the remaining premises through March 31, 2025. In addition, the landlord covered costs of improvements to the premises completed in September 2017. The lease includes rent abatement which is amortized as a reduction to rent expense over the term of the lease. Rent expense was \$288,803 and \$285,808 for the years ended April 30, 2020 and 2019, respectively, which includes the COCPA's share of annual operating costs. The COCPA also has entered into lease agreements for postage equipment and subscription accounting cloud services. Subscription cloud services expense was \$18,663 and \$7,673 for the years ended April 30, 2020 and 2019, respectively. As of April 30, 2020, the remaining commitment under the agreement was \$76,610, of which \$12,472 was included in prepaid expenses and other assets.

Colorado Society of Certified Public Accountants

Notes to Financial Statements

April 30, 2020 and 2019

Future minimum lease commitments as of April 30, 2020, are as follows:

Year Ending April 30,	
2021	311,517
2022	317,162
2023	322,538
2024	318,743
2025	285,837
	\$ 1,555,797

The COCPA, at various times throughout the year, is committed to various contracts for payments to authors and instructors of its continuing education programs and technical reviewers for its peer review program. Terms and conditions vary on a contract-by-contract basis.

Note 10 - Related Party Transactions

The COCPA is affiliated with The Educational Foundation of the Colorado Society of Certified Public Accountants (the Foundation), the primary purpose of which is to promote accounting education in Colorado and support individuals and institutions engaged in its study and teaching. The Foundation is a separately incorporated organization under Internal Revenue Code Section 501(c)(3) and is not controlled by the COCPA. The COCPA performs certain administrative, program support, and fundraising services for the benefit of the Foundation, and it donates office space and general overhead for the Foundation's use. The value of donated goods and services totaled \$27,165 and \$30,785 respectively, for the years ended April 30, 2020 and 2019. The COCPA also made cash contributions to the Foundation of \$0 and \$5,000 during the years ended April 30, 2020 and 2019, respectively.

Under the guidance of the Board of Directors, the COCPA also administers the Colorado Society of CPAs Profit Sharing/401(k) Plan and Trust, which was established for the benefit of the COCPA's employees.

Additionally, during the year ended April 30, 2020, the COCPA paid \$32,506 to Board members and Board members' firms for services to the COCPA in the customary course of business. No such payments were made during the year ended April 30, 2019.