



Financial Statements
April 30, 2013 and 2012

Colorado Society of Certified Public Accountants

Colorado Society of Certified Public Accountants

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April 30, 2013 and 2012

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INDEPENDENT AUDITOR'S REPORT

To 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 the Colorado Society of Certified Public Accountants which comprise the statements of financial position as of April 30, 2013 and 2012, and the related statements of activities 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 the Colorado Society of Certified Public Accountants as of April 30, 2013 and 2012, and the changes in 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 Bailly LLP

Greenwood Village, Colorado
July 3, 2013

www.eidebailly.com

Colorado Society of Certified Public Accountants
 Statements of Financial Position
 April 30, 2013 and 2012

	2013	2012
Assets		
Cash and cash equivalents	\$ 555,204	\$ 557,498
Accounts receivable, net	69,429	32,528
Prepaid expenses	97,396	200,452
Inventory	2,164	13,044
Cash and investments held for deferred compensation plan	-	88,255
Long-Term Investments	1,888,836	1,857,406
Property and Equipment, net	331,581	348,384
Total Assets	\$ 2,944,610	\$ 3,097,567
Liabilities and Net Assets		
Accounts payable	\$ 127,459	\$ 131,484
Accrued liabilities	277,593	201,511
Grants payable	-	10,000
Deferred revenue	555,437	686,004
Deferred lease incentive	-	11,041
Deferred compensation plans	-	88,255
Total Liabilities	960,489	1,128,295
Commitments (Note 10)		
Net Assets, Unrestricted	1,984,121	1,969,272
Total Liabilities and Net Assets	\$ 2,944,610	\$ 3,097,567

Colorado Society of Certified Public Accountants

Statements of Activities

Years Ended April 30, 2013 and 2012

	2013	2012
Revenue:		
Continuing professional education		
Group study programs	\$ 1,146,651	\$ 1,658,644
Webcast programs	199,896	230,203
On-site programs	62,855	153,543
Self-study programs	148,940	172,553
Total continuing professional education	1,558,342	2,214,943
Membership dues	1,817,196	1,845,065
Peer review dues and fees	184,910	170,990
Net operating investment return	91,842	86,613
NewsAccount advertising	35,358	36,183
Royalty income	48,963	48,195
Member activities and events income	103,683	103,437
Other income	44,409	65,076
Total Revenue	3,884,703	4,570,502
Expenses:		
Program Services		
Continuing professional education	1,546,816	2,098,726
Membership services	1,313,815	1,262,636
Peer review services	148,484	153,966
Total Program Services	3,009,115	3,515,328
Supporting Services		
General administrative	935,204	987,663
Total Expenses	3,944,319	4,502,991
Change in Net Assets before Moving Expenses and Net Non-operating Investment Return	(59,616)	67,511
Moving expenses	(70,851)	-
Net non-operating investment return	145,316	(90,627)
Change in Net Assets	14,849	(23,116)
Net Assets, Beginning of Year	1,969,272	1,992,388
Net Assets, End of Year	\$ 1,984,121	\$ 1,969,272

Colorado Society of Certified Public Accountants

Statements of Cash Flows

Years Ended April 30, 2013 and 2012

	2013	2012
Cash flows from operating activities:		
Change in net assets	\$ 14,849	\$ (23,116)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	129,421	117,500
Realized and unrealized (gain) loss on investments	(153,401)	77,735
(Gain) loss on sale of property and equipment	(1,771)	32,225
Changes in operating assets and liabilities		
Accounts receivable	(36,901)	10,593
Prepaid expenses	103,056	53,848
Inventory	10,880	(11,889)
Accounts payable	(4,025)	(14,967)
Accrued liabilities	76,082	4,539
Grants payable	(10,000)	(10,000)
Deferred revenue	(130,567)	944
Deferred lease incentive	(11,041)	(44,165)
Net cash provided by (used in) operating activities	(13,418)	193,247
Cash flows from investing activities:		
Redemption of investments	364,327	248,420
Purchases of investments	(242,356)	(234,805)
Proceeds from sale of property and equipment	3,220	16,367
Purchases of property and equipment	(114,067)	(145,196)
Net cash provided by (used in) investing activities	11,124	(115,214)
Net Change in Cash and Cash Equivalents	(2,294)	78,033
Cash and Cash Equivalents, Beginning of Year	557,498	479,465
Cash and Cash Equivalents, End of Year	\$ 555,204	\$ 557,498

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 continuing professional education fees and dues that it charges its membership, which is primarily located in the State of Colorado.

Description of Activities

The COCPA's activities include the following:

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.

Membership 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.

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

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

Trade receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to an allowance for doubtful accounts based on its assessment of the current status of individual accounts. Balances that are outstanding after management has used reasonable collection efforts are written off. At April 30, 2013 and 2012, the allowance was \$580 and \$3,840, respectively.

Inventory

Inventory consists of course material and is reported at the lower of cost (using the first-in, first-out method) or market value.

Investments

Investment purchases are initially recorded at cost. Thereafter, investments are reported at their fair values in the statement of financial position. Net investment return is reported in the statement of activities and consists of interest and dividend income, and realized and unrealized capital gains and losses.

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 is computed using the straight-line method over the estimated useful lives of the assets ranging from 2 to 10 years.

Capitalized leases are recorded at the present value of future minimum lease payments. Amortization relating to capitalized leases is calculated over the estimated useful life of the asset using the straight-line method and is included in depreciation. Leasehold improvements are depreciated over the shorter of the estimated useful life of the asset or the remaining lease term.

Expenditures for maintenance, repairs and minor replacements that do not improve or extend the useful lives of the respective assets are expensed currently.

Grants Payable

Grants payable are recorded as a liability and an expense in the year in which authorized by the COCPA's Board of Directors.

Net Assets

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

Unrestricted Net Assets – Net assets available for use in general operations.

Temporarily Restricted Net Assets – Net assets subject to donor restrictions that may or will be met by expenditures or actions of COCPA and/or the passage of time.

Permanently Restricted Net Assets – Net assets whose use is limited by donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by action of the COCPA.

The COCPA had only unrestricted net assets at April 30, 2013 and 2012.

Revenue Recognition

Revenue is recognized when earned. Continuing professional education fees are recognized in the period in which the course is given. Membership dues are recognized ratably over the term of the membership period. Peer review administrative fees are billed and recognized as revenue during the administrative year for which they apply. Other revenue is recognized when earned. As of April 30, 2013 and 2012, the COCPA recorded deferred revenue, which represents the portion of revenue collected during the fiscal year that applies to the subsequent year's activity.

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. 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 generally accepted accounting principles.

Advertising Costs

The COCPA uses advertising to promote its programs. Advertising costs are expensed as incurred and totaled \$118,391 and \$149,329 for the years ended April 30, 2013 and 2012, respectively, for continuing professional education marketing.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

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 and website. The COCPA did not incur any material income tax expense from these unrelated activities for the years ended April 30, 2013 and 2012.

Management performs an annual analysis of the COCPA's various tax positions, assessing the likelihood of those positions being upheld upon examination by relevant tax authorities. Management believes the COCPA has conducted its operations in accordance with, and has properly maintained its tax-exempt status, and has taken no material uncertain tax positions that qualify for recognition or disclosure in the financial statements. The COCPA is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years before 2010.

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.

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. The COCPA monitors the accounts to ensure that amounts on deposit do not exceed insured limits. 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 COCPA 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.

Subsequent Events

The COCPA has evaluated subsequent events through July 3, 2013, the date which the financial statements were available to be issued.

Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements.

Note 3 - Fair Value Measurements and Disclosures

Certain assets and liabilities are reported at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability 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 or liability, 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 or liability 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 or liability 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 or liabilities 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 or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, 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 or a liability 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 entire measurement requires judgment, taking into account factors specific to the asset or liability. 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 or liability.

All of the COCPA's investment assets are classified within Level 1 because they are comprised of mutual funds with readily determinable fair values based on daily redemption values.

The following tables present assets measured at fair value on a recurring basis at April 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Level 1 Investments:		
Common Stock	\$ -	\$ 5,509
Mutual funds:		
Intermediate-term bond	556,312	529,103
Large capitalization value equities	500,556	499,865
Foreign equities	340,022	335,466
Tangibles	192,603	192,910
Medium capitalization value equities	150,420	151,593
Small capitalization value equities	148,923	142,960
	<u>\$ 1,888,836</u>	<u>\$ 1,857,406</u>

Colorado Society of Certified Public Accountants

Notes to Financial Statements

April 30, 2013 and 2012

	2013	2012
Level 1 Investments held for deferred compensation plan:		
Bond funds	\$ -	\$ 41,378
Foreign equities	-	23,597
Equity mutual funds	-	6,631
Real estate and tangibles	-	6,150
Other	-	1,914
	-	79,670
Cash and cash equivalents	-	8,585
Total cash and investments held for deferred compensation plan	\$ -	\$ 88,255

Note 4 - Investment Return

The COCPA has a policy of distributing for operations 5% of the estimated average of the fair values of the investment assets at the end of the previous three fiscal years. The following table presents net investment return for the years ended April 30, 2013 and 2012:

	2013	2012
Interest and dividends	\$ 83,757	\$ 73,721
Realized gains/(losses)	(1,832)	(10,915)
Unrealized gains/(losses)	155,233	(66,820)
	\$ 237,158	\$ (4,014)
Net operating investment return	\$ 91,842	\$ 86,613
Net non-operating investment return	145,316	(90,627)
	\$ 237,158	\$ (4,014)

Note 5 - Property and Equipment

Property and equipment consisted of the following as of April 30, 2013 and 2012:

	2013	2012
Furniture and equipment	\$ 320,882	\$ 458,760
Computer hardware and software	646,875	639,767
Leasehold improvements	24,544	68,017
	992,301	1,166,544
Less: accumulated depreciation	(660,720)	(818,160)
Net Property and Equipment	\$ 331,581	\$ 348,384

Note 6 - Investments Held for Deferred Compensation Plan

The COCPA has maintained a nonqualified deferred compensation plan (the "Plan") for its previous Executive Director. Contributions are no longer made to the Plan. Under terms of the Plan, the obligation is equal to the fair market value of the designated investments. Gains or losses on the Plan's investments are recognized as increases or decreases in the Plan's obligations. Investments designated for retirement of the Plan's obligations are stated at fair value. These funds have been managed by an outside investment advisor. As of April 30, 2012 the investments under this plan consisted of only Level 1 investments. As of April 30, 2013 the Plan's obligations have been retired in full.

Note 7 - Deferred Revenue

Deferred revenue consisted of the following as of April 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Membership dues	\$ 517,385	\$ 665,914
Continuing professional education fees	28,955	18,763
Other	9,097	1,327
	<u>\$ 555,437</u>	<u>\$ 686,004</u>

Note 8 - Other Income

Other income consisted of the following as of April 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Website advertising	\$ 15,282	\$ 14,055
Room rentals	11,256	33,617
Referral service	8,300	7,700
Miscellaneous	9,571	9,704
	<u>\$ 44,409</u>	<u>\$ 65,076</u>

Note 9 - Functionalized Expenses

Total expenses by function were as follows for the years ended April 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Continuing professional education	\$ 1,546,816	\$ 2,098,726
Membership services	1,313,815	1,262,636
Peer review services	148,484	153,966
Total program services	<u>\$ 3,009,115</u>	<u>\$ 3,515,328</u>
General administrative (includes moving expenses of \$70,851)	<u>1,006,055</u>	<u>987,663</u>
Total functionalized expenses	<u>\$ 4,015,170</u>	<u>\$ 4,502,991</u>

Note 10 - 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. No more than 25% of a participant's compensation can be allocated to a participant's account during any plan year. The COCPA is required to match participant contributions up to 5% of compensation. The residual up to the 25% limitation would result from a combination of participant contributions and annual discretionary contributions made by the COCPA of up to 5% of each participant's compensation. In addition to the maximum deferred contribution of 25%, participants may also make after-tax contributions of up to 10% of compensation. The COCPA's contributions for the years ended April 30, 2013 and 2012 were \$64,337 and \$70,020, respectively. Neither the assets nor the liabilities of the profit sharing /401(k) plan and trust is reflected in these financial statements.

Note 11 - Commitments

The COCPA has entered into long-term leases for use of its office facilities. A lease agreement which terminated July 31, 2012 includes various tenant allowances which are included in deferred lease incentives. A lease commencing August 1, 2012 for new office premises includes rent abatement. These lease incentives and rent abatement are amortized as reductions to rent expense over the terms of the leases. Rent expense was \$260,372 and \$367,284, respectively, for the years ended April 30, 2013 and 2012, which includes the COCPA's share of annual operating costs. The COCPA also has entered into a lease agreement for postage equipment.

Future minimum lease commitments as of April 30, 2013, are as follows:

<u>Year Ending April 30,</u>	
2014	\$ 240,050
2015	244,936
2016	249,504
2017	255,185
2018	172,648
	<u>\$ 1,162,323</u>

After April 30, 2013, the COCPA entered into a three-year software license agreement with estimated annual payments of \$7,665.

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 12 - 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 grant scholarships and make awards to accounting students in the State of Colorado. 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 also contributes certain amounts to the Foundation to cover additional expenses. The value of donated services and other contributions totaled \$20,734 and \$17,698, respectively, for the years ended April 30, 2013 and 2012. The COCPA remits to the Foundation contributions collected on its behalf. Amounts owed to the Foundation, which are included in accounts payable as of April 30, 2013 and 2012, were \$3,875 and \$3,401, 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 years ended April 30, 2013 and 2012, the COCPA paid \$30,835 and \$34,413, respectively, to Board members and Board members' firms for services to the COCPA in the customary course of business.