



Financial Statements  
April 30, 2017 and 2016

# Colorado Society of Certified Public Accountants

Colorado Society of Certified Public Accountants

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April 30, 2017 and 2016

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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, 2017 and 2016, 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 Colorado Society of Certified Public Accountants as of April 30, 2017 and 2016, 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 Bailly LLP*

Denver, Colorado  
July 26, 2017

Colorado Society of Certified Public Accountants  
 Statements of Financial Position  
 April 30, 2017 and 2016

	2017	2016
<b>Assets</b>		
Cash and cash equivalents	\$ 884,935	\$ 892,870
Accounts receivable	28,250	63,891
Prepaid expenses	117,695	64,902
Inventory	13,783	11,715
Investments	2,337,798	2,074,829
Property and equipment, net	75,523	175,692
Total Assets	\$ 3,457,984	\$ 3,283,899
 <b>Liabilities and Net Assets</b>		
Accounts payable	\$ 101,068	\$ 112,303
Accrued liabilities	125,062	170,376
Deferred revenue	801,093	827,240
Total Liabilities	1,027,223	1,109,919
Net Assets, Unrestricted	2,430,761	2,173,980
Total Liabilities and Net Assets	\$ 3,457,984	\$ 3,283,899

Colorado Society of Certified Public Accountants

Statements of Activities

Years Ended April 30, 2017 and 2016

	2017	2016
Revenue, Support, and Gains		
Membership dues	\$ 1,970,346	\$ 1,943,362
Member activities, events, and services	154,867	139,693
Advertising	48,965	36,737
Royalties and promotion	53,074	61,045
Continuing professional education	1,174,489	1,720,585
Peer review dues and fees	230,795	259,105
Net operating investment return	104,477	102,469
Contributions	20,550	-
Gain on disposal of property and equipment	10,070	370
Other income	1,533	245
	3,769,166	4,263,611
Expenses		
Program Services		
Member services	1,519,695	1,511,007
Continuing professional education	1,286,181	1,548,435
Peer review services	216,033	171,066
	3,021,909	3,230,508
Supporting Services		
General administrative	651,746	836,983
	3,673,655	4,067,491
Change in Net Assets before Net Non-operating Investment Return (Loss)	95,511	196,120
Net non-operating investment return (loss)	161,270	(186,233)
Change in Unrestricted Net Assets	256,781	9,887
Unrestricted Net Assets, Beginning of Year	2,173,980	2,164,093
Unrestricted Net Assets, End of Year	\$ 2,430,761	\$ 2,173,980

Colorado Society of Certified Public Accountants

Statements of Cash Flows

Years Ended April 30, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Membership dues receipts	\$ 1,929,925	\$ 1,875,041
Member activities, events, and services receipts	152,428	141,501
Advertising receipts	39,195	44,407
Royalty and promotion receipts	53,074	61,045
Continuing professional education receipts	1,206,417	1,698,020
Peer review receipts	262,145	206,505
Interest and dividends received	82,282	2,981
Contributions received	20,550	-
Miscellaneous receipts	1,533	614
Payments for salaries, benefits, and taxes	(1,470,446)	(1,732,353)
Payments to vendors	(2,179,756)	(2,117,174)
	97,347	180,587
Net cash from operating activities		
Cash flows from investing activities:		
Purchases of operating investments	(300,451)	(538,613)
Proceeds from sale of operating investments	220,990	390,869
Purchases of property and equipment	(26,710)	(53,386)
Proceeds from sale of property and equipment	889	370
	(105,282)	(200,760)
Net cash (used for) investing activities		
Net Change in Cash and Cash Equivalents	(7,935)	(20,173)
Cash and Cash Equivalents, Beginning of Year	892,870	913,043
Cash and Cash Equivalents, End of Year	\$ 884,935	\$ 892,870
Reconciliation of Change in Net Assets to Net Cash from Operating Activities		
Change in Net Assets	\$ 256,781	\$ 9,887
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	114,562	125,705
Realized and unrealized (gain) loss on investments	(183,508)	188,422
(Gain) on disposal of property and equipment	(10,070)	(370)
Changes in operating assets and liabilities		
Accounts receivable	35,641	(34,837)
Prepaid expenses	(31,293)	38,973
Inventory	(2,070)	260
Accounts payable	(11,235)	33,905
Accrued liabilities	(45,314)	(82,199)
Deferred revenue	(26,147)	(99,159)
	\$ 97,347	\$ 180,587
Net cash from operating activities		
Supplemental Disclosure of Non-cash Investing Activity		
Trade-in value of vehicle for prepaid lease	\$ 21,500	\$ -

See Notes to Financial Statements

## **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 membership, which is primarily located 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**

### **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**

Accounts receivable 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, 2017 and 2016, management believes the amount of uncollectible balances to be insignificant and no allowance is reflected in the financial statements.

### **Inventory**

Inventory consists of course material and is reported at the lower of cost (using the first-in, first-out method) or net realizable value. No allowance for inventory obsolescence is deemed necessary as of April 30, 2017 and 2016.

### **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, 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, 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, 2017 and 2016.

## **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 the 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.

Contributions restricted by donors are recognized as increases in unrestricted net assets if the restrictions expire in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. The COCPA had only unrestricted net assets at April 30, 2017 and 2016.

## **Revenue Recognition**

Revenue is recognized when earned. Membership dues are recognized ratably over the term of the membership period. Continuing professional education fees are recognized in the period in which the course is given. 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, 2017 and 2016, 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. No significant contributed services were received during the years ended April 30, 2017 and 2016. 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 \$165,492 and \$90,357 for the years ended April 30, 2017 and 2016, 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, 2017 and 2016.

### **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 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.

### **Note 3 - 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 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 comprised 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, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Level 1 Investments:		
Mutual funds:		
Bond funds	\$ 695,610	\$ 646,993
Domestic equities	963,027	785,994
International equities	448,555	383,338
Real estate funds	115,798	102,418
Commodities	57,237	108,804
Other	57,571	47,282
	<u>\$ 2,337,798</u>	<u>\$ 2,074,829</u>

**Note 4 - Net Investment Return (Loss)**

The COCPA has a policy of distributing for operations 5% of the average of the fair values of the investment assets at the end of the previous three calendar years. The following table presents net investment return (loss) for the years ended April 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 82,239	\$ 104,658
Realized gains (losses)	5,851	(2,532)
Unrealized gains (losses)	<u>177,657</u>	<u>(185,890)</u>
	<u>\$ 265,747</u>	<u>\$ (83,764)</u>
Net operating investment return	\$ 104,477	\$ 102,469
Net non-operating investment return (loss)	<u>161,270</u>	<u>(186,233)</u>
	<u>\$ 265,747</u>	<u>\$ (83,764)</u>

**Note 5 - Property and Equipment**

Property and equipment consisted of the following as of April 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Furniture and equipment	\$ 264,231	\$ 314,840
Computer hardware and software	725,032	720,822
Leasehold improvements	26,573	26,573
Automobile	-	31,968
	<u>1,015,836</u>	<u>1,094,203</u>
Less: accumulated depreciation	<u>(940,313)</u>	<u>(918,511)</u>
	<u>\$ 75,523</u>	<u>\$ 175,692</u>

**Note 6 - Deferred Revenue**

Deferred revenue consisted of the following as of April 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Membership dues	\$ 761,761	\$ 802,182
Continuing professional education fees	38,104	14,630
Other	<u>1,228</u>	<u>10,428</u>
	<u>\$ 801,093</u>	<u>\$ 827,240</u>

**Note 7 - 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, 2017 and 2016 was \$50,077 and \$78,841, respectively. Neither the assets nor the liabilities of the profit sharing /401(k) plan and trust are reflected in these financial statements.

**Note 8 - Commitments**

The COCPA has entered into a long-term lease for use of its office facilities which expires December 2017. The lease includes rent abatement which is amortized as a reduction to rent expense over the term of the lease. Rent expense was \$237,747 and \$245,202, respectively, for the years ended April 30, 2017 and 2016, which includes the COCPA's share of annual operating costs. The COCPA also has entered into lease agreements for an automobile and postage equipment.

Future minimum lease commitments as of April 30, 2017, are as follows:

Year Ending April 30,		
2018	\$	174,557
2019		636
	\$	175,193

In June 2017, the COCPA entered into a lease amendment for its office facilities, relinquishing a portion of the premises and extending the lease term on the remaining premises through March 31, 2025. In addition, the landlord is covering costs of improvements to the premises, to be completed by September 2017.

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 9 - 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 \$42,679 and \$39,696, respectively, for the years ended April 30, 2017 and 2016. 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, 2017 and 2016, were \$2,875 and \$3,237, 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, 2017 and 2016, the COCPA paid \$27,885 and \$33,922, respectively, to Board members and Board members’ firms for services to the COCPA in the customary course of business.

**Note 10 - Subsequent Events**

In May 2017, the COCPA entered into a Website and AMS Agreement for the development of a new website and association management system. The agreement includes monthly payments of \$10,000 for ten months setup, which began in May 2017, and a \$10,000 per month subscription to include all software, technical support, upgrades and training, to begin when the new system has been implemented.

As noted in Note 8, in June 2017, the COCPA entered into a lease amendment for its office facilities. In connection with the lease amendment and renovations to the facilities, the COCPA has entered into contracts for furniture planning and budgeting, move coordination, phased moving/relocation, furniture disposal, cabling services, and new office workstations and ancillary furniture. Estimated costs total \$225,000 for the project.

The COCPA has evaluated subsequent events through July 26, 2017, the date at which the financial statements were available to be issued.