



Financial Statements
April 30, 2015 and 2014

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 the Colorado Society of Certified Public Accountants which comprise the statements of financial position as of April 30, 2015 and 2014, 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, 2015 and 2014, 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.

A handwritten signature in black ink that reads "Eide Bailly LLP".

Greenwood Village, Colorado
July 20, 2015

Colorado Society of Certified Public Accountants

Statements of Financial Position

April 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Assets		
Cash and cash equivalents	\$ 913,043	\$ 877,390
Accounts receivable	29,054	13,784
Prepaid expenses	103,875	103,019
Inventory	11,974	9,334
Investments	2,115,506	2,026,158
Property and Equipment, net	<u>248,013</u>	<u>302,742</u>
Total Assets	<u>\$ 3,421,465</u>	<u>\$ 3,332,427</u>
Liabilities and Net Assets		
Accounts payable	\$ 78,398	\$ 89,552
Accrued liabilities	252,575	273,433
Deferred revenue	<u>926,399</u>	<u>809,933</u>
Total Liabilities	<u>1,257,372</u>	<u>1,172,918</u>
Commitments (Note 8)		
Net Assets, Unrestricted	<u>2,164,093</u>	<u>2,159,509</u>
Total Liabilities and Net Assets	<u>\$ 3,421,465</u>	<u>\$ 3,332,427</u>

Colorado Society of Certified Public Accountants

Statements of Activities

Years Ended April 30, 2015 and 2014

	2015	2014
Revenue:		
Membership dues	\$ 1,861,063	\$ 1,799,917
Member activities, events, and services income	145,971	134,972
Advertising	48,477	41,705
Royalty and promotion income	47,801	45,480
Continuing professional education	1,318,040	1,774,040
Peer review dues and fees	166,545	166,420
Net operating investment return	97,666	92,749
Other income	887	785
Total Revenue	3,686,450	4,056,068
Expenses:		
Program Services		
Member services	1,405,565	1,366,919
Continuing professional education	1,333,864	1,659,957
Peer review services	157,388	151,699
Total Program Services	2,896,817	3,178,575
Supporting Services		
General administrative	779,697	832,013
Total Program and Supporting Services Expenses	3,676,514	4,010,588
Change in Net Assets before Net Non-operating Investment Return (Loss)	9,936	45,480
Net non-operating investment return (loss)	(5,352)	129,908
Change in Net Assets	4,584	175,388
Net Assets, Beginning of Year	2,159,509	1,984,121
Net Assets, End of Year	\$ 2,164,093	\$ 2,159,509

Colorado Society of Certified Public Accountants

Statements of Cash Flows
Years Ended April 30, 2015 and 2014

	2015	2014
Cash flows from operating activities:		
Membership dues receipts	\$ 1,962,342	\$ 2,051,756
Member activities, events, and services receipts	143,849	136,915
Advertising receipts	48,477	41,705
Royalty and promotion receipts	47,801	45,480
Continuing professional education receipts	1,317,551	1,812,120
Peer review receipts	169,090	184,775
Interest and dividends received	127,843	73,334
Miscellaneous receipts	581	789
Payments for salaries, benefits, and taxes	(1,687,835)	(1,797,213)
Payments to vendors	(1,902,915)	(2,153,649)
Net cash from (used for) operating activities	<u>226,784</u>	<u>396,012</u>
Cash flows from investing activities:		
Purchases of operating investments	(124,894)	(510,768)
Proceeds from sale of operating investments	-	522,664
Purchases of property and equipment	(66,542)	(85,747)
Proceeds from sale of property and equipment	305	25
Net cash from (used for) investing activities	<u>(191,131)</u>	<u>(73,826)</u>
Net Change in Cash and Cash Equivalents	35,653	322,186
Cash and Cash Equivalents, Beginning of Year	<u>877,390</u>	<u>555,204</u>
Cash and Cash Equivalents, End of Year	<u>\$ 913,043</u>	<u>\$ 877,390</u>
Reconciliation of Change in Net Assets to Net Cash from (used for) Operating Activities		
Change in Net Assets	\$ 4,584	\$ 175,388
Adjustments to reconcile change in net assets to net cash from (used for) operating activities:		
Depreciation	119,893	114,586
Realized and unrealized (gain) loss on investments	35,546	(149,218)
(Gain) loss on disposal of property and equipment	1,073	(25)
Changes in operating assets and liabilities		
Accounts receivable	(15,270)	55,645
Prepaid expenses	(856)	(5,623)
Inventory	(2,640)	(7,170)
Accounts payable	(11,154)	(1,107)
Accrued liabilities	(20,858)	(40,960)
Deferred revenue	116,466	254,496
Net cash provided by (used in) operating activities	<u>\$ 226,784</u>	<u>\$ 396,012</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 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, 2015 and 2014, 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 market value.

Investments

Investment purchases are initially recorded at cost. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return 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.

Capitalized leases, if any, 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, if any, 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 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.

The COCPA had only unrestricted net assets at April 30, 2015 and 2014.

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, 2015 and 2014, 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 \$78,946 and \$137,592 for the years ended April 30, 2015 and 2014, 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, 2015 and 2014.

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 2012.

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. 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.

Subsequent Events

The COCPA has evaluated subsequent events through July 20, 2015, the date 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 - 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, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Level 1 Investments:		
Mutual funds:		
Intermediate-term bond	\$ 619,081	\$ 603,926
Large capitalization value equities	620,807	570,771
Foreign equities	375,853	364,212
Tangibles	193,820	209,719
Medium capitalization value equities	159,868	134,798
Small capitalization value equities	146,077	142,732
	<u>\$ 2,115,506</u>	<u>\$ 2,026,158</u>

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 calendar years. The following table presents net investment return for the years ended April 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Interest and dividends	\$ 127,859	\$ 73,439
Realized gains/(losses)	-	36,432
Unrealized gains/(losses)	<u>(35,546)</u>	<u>112,786</u>
	<u>\$ 92,314</u>	<u>\$ 222,657</u>
Net operating investment return	\$ 97,666	\$ 92,749
Net non-operating investment return (loss)	<u>(5,352)</u>	<u>129,908</u>
	<u>\$ 92,314</u>	<u>\$ 222,657</u>

Note 5 - Property and Equipment

Property and equipment consisted of the following as of April 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Furniture and equipment	\$ 320,882	\$ 320,882
Computer hardware and software	672,576	696,144
Leasehold improvements	26,573	26,573
Automobile	31,968	31,968
	<u>1,051,999</u>	<u>1,075,567</u>
Less: accumulated depreciation	<u>(803,986)</u>	<u>(772,825)</u>
	<u>\$ 248,013</u>	<u>\$ 302,742</u>

Note 6 - Deferred Revenue

Deferred revenue consisted of the following as of April 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Membership dues	\$ 870,503	\$ 769,224
Continuing professional education fees	54,182	37,942
Other	1,714	2,767
	<u>\$ 926,399</u>	<u>\$ 809,933</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. 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 contributions for the years ended April 30, 2015 and 2014 were \$63,665 and \$62,961, 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 \$239,582 and \$237,022, respectively, for the years ended April 30, 2015 and 2014, 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, 2015, are as follows:

<u>Year Ending April 30,</u>	
2016	\$ 251,412
2017	257,093
2018	174,557
2019	636
	<u>\$ 683,698</u>

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 also contributes certain amounts to the Foundation to cover additional expenses. The value of donated services and other contributions totaled \$16,086 and \$23,216, respectively, for the years ended April 30, 2015 and 2014. 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, 2015 and 2014, were \$2,780 and \$3,056, 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, 2015 and 2014, the COCPA paid \$1,700 and \$33,230, respectively, to Board members and Board members' firms for services to the COCPA in the customary course of business.