



Financial Statements
April 30, 2018 and 2017

Colorado Society of Certified Public Accountants

Colorado Society of Certified Public Accountants

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CPAs & BUSINESS ADVISORS

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, 2018 and 2017, 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, 2018 and 2017, 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.

Denver, Colorado
July 23, 2018

Colorado Society of Certified Public Accountants
 Statements of Financial Position
 April 30, 2018 and 2017

	2018	2017
Assets		
Cash and cash equivalents	\$ 341,293	\$ 884,935
Accounts receivable	38,836	28,250
Prepaid expenses	110,170	117,695
Inventory	8,098	13,783
Investments	2,467,016	2,337,798
Property and equipment, net	175,712	75,523
Total Assets	\$ 3,141,125	\$ 3,457,984
Liabilities and Net Assets		
Accounts payable	\$ 88,716	\$ 101,068
Accrued liabilities	163,979	125,062
Deferred revenue	137,855	801,093
Total Liabilities	390,550	1,027,223
Net Assets, Unrestricted	2,750,575	2,430,761
Total Liabilities and Net Assets	\$ 3,141,125	\$ 3,457,984

Colorado Society of Certified Public Accountants

Statements of Activities

Years Ended April 30, 2018 and 2017

	2018	2017
Revenue, Support, and Gains		
Membership dues	\$ 1,940,141	\$ 1,970,346
Member activities, events, and services	131,777	154,867
Continuing professional education	1,565,647	1,174,489
Peer review dues and fees	239,525	230,795
Advertising	35,975	48,965
Royalties and promotion	58,699	53,074
Net operating investment return	107,310	104,477
Contributions	-	20,550
Gain on disposal of property and equipment	1,401	10,070
Other income	1,325	1,533
	<u>4,081,800</u>	<u>3,769,166</u>
Expenses		
Program Services		
Member services	1,424,426	1,519,695
Continuing professional education	1,515,398	1,286,181
Peer review services	249,260	216,033
	<u>3,189,084</u>	<u>3,021,909</u>
Supporting Services		
General administrative	701,986	651,746
	<u>701,986</u>	<u>651,746</u>
Total Expenses	<u>3,891,070</u>	<u>3,673,655</u>
Change in Net Assets before net non-operating investment return	190,730	95,511
Net non-operating investment return	129,084	161,270
Change in Unrestricted Net Assets	319,814	256,781
Unrestricted Net Assets, Beginning of Year	<u>2,430,761</u>	<u>2,173,980</u>
Unrestricted Net Assets, End of Year	<u>\$ 2,750,575</u>	<u>\$ 2,430,761</u>

Colorado Society of Certified Public Accountants

Statements of Cash Flows
Years Ended April 30, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Membership dues receipts	\$ 1,267,150	\$ 1,929,925
Member activities, events, and services receipts	130,686	152,428
Continuing professional education receipts	1,563,344	1,206,417
Peer review receipts	233,360	262,145
Advertising receipts	44,765	39,195
Royalty and promotion receipts	58,512	53,074
Interest and dividends received	118,660	82,282
Contributions received	-	20,550
Miscellaneous receipts	2,871	1,533
Payments for salaries, benefits, and taxes	(1,486,734)	(1,470,446)
Payments to vendors	(2,299,393)	(2,179,756)
	(366,779)	97,347
Net cash (used for) from operating activities		
Cash flows from investing activities:		
Purchases of operating investments	(226,220)	(300,451)
Proceeds from sale of operating investments	214,755	220,990
Purchases of property and equipment	(168,389)	(26,710)
Proceeds from sale of property and equipment	2,991	889
	(176,863)	(105,282)
Net cash (used for) investing activities		
Net Change in Cash and Cash Equivalents	(543,642)	(7,935)
Cash and Cash Equivalents, Beginning of Year	884,935	892,870
Cash and Cash Equivalents, End of Year	\$ 341,293	\$ 884,935
Reconciliation of Change in Net Assets to Net Cash from Operating Activities		
Change in Net Assets	\$ 319,814	\$ 256,781
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	63,006	114,562
Realized and unrealized (gain) on investments	(117,754)	(183,508)
Loss (gain) on disposal of property and equipment	2,204	(10,070)
Changes in operating assets and liabilities		
Accounts receivable	(10,586)	35,641
Prepaid expenses	7,525	(31,293)
Inventory	5,685	(2,070)
Accounts payable	(12,352)	(11,235)
Accrued liabilities	38,917	(45,314)
Deferred revenue	(663,238)	(26,147)
	\$ (366,779)	\$ 97,347
Net cash (used for) from operating activities		
Supplemental Disclosure of Non-cash Investing Activity		
Trade-in value of vehicle for prepaid lease	\$ -	\$ 21,500

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, 2018 and 2017, 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, 2018 and 2017.

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 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, 2018 and 2017.

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, 2018 and 2017.

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, 2018 and 2017, 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, 2018 and 2017. 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 \$200,795 and \$165,492 for continuing professional education and \$130,656 and \$159,880 for member services, for the years ended April 30, 2018 and 2017, respectively.

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, 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, 2018 and 2017.

Management believes that the COCPA has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have an 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 entities Form 990, 990-T 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 2015.

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.

Concentration Risk

Significant customers and vendors are those that account for greater than 10% of 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 that accounted for approximately \$490,777 and \$347,690, or 13% and 9% of total expenses for the years ended April 30, 2018 and 2017. As of April 30, 2018 and 2017, \$9,652 and \$4,145, respectively, was payable to this vendor. 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 has evaluated subsequent events through July 23, 2018, the date at which the financial statements were available to be issued.

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 composed of mutual funds with readily determinable fair values based on daily redemption values.

Colorado Society of Certified Public Accountants

Notes to Financial Statements

April 30, 2018 and 2017

The following table presents assets measured at fair value on a recurring basis at April 30, 2018 and 2017:

	2018	2017
Level 1 Investments:		
Mutual funds:		
Bond funds	\$ 745,094	\$ 695,610
Domestic equities	910,503	963,027
International equities	564,812	448,555
Real estate funds	123,018	115,798
Commodities	62,038	57,237
Other	61,551	57,571
	\$ 2,467,016	\$ 2,337,798

Note 4 - Net Investment Return

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 for the years ended April 30, 2018 and 2017:

	2018	2017
Interest and dividends	\$ 118,640	\$ 82,239
Realized gains	15,195	5,851
Unrealized gains	102,559	177,657
	\$ 236,394	\$ 265,747
Net operating investment return	\$ 107,310	\$ 104,477
Net non-operating investment return	129,084	161,270
	\$ 236,394	\$ 265,747

Note 5 - Property and Equipment

Property and equipment consisted of the following as of April 30, 2018 and 2017:

	2018	2017
Furniture and equipment	\$ 252,177	\$ 264,231
Computer hardware and software	443,500	725,032
Leasehold improvements	10,285	26,573
	705,962	1,015,836
Less: accumulated depreciation and amortization	(530,250)	(940,313)
	\$ 175,712	\$ 75,523

Note 6 - Deferred Revenue

Deferred revenue consisted of the following as of April 30, 2018 and 2017:

	2018	2017
Membership dues	\$ 88,770	\$ 761,761
Continuing professional education fees	40,780	38,104
Other	8,305	1,228
	\$ 137,855	\$ 801,093

As a result of the COCPA implementing a subscription-based membership dues billing model effective May 1, 2018, there were fewer membership dues collected in advance of the respective membership period during the year-ended April 30, 2018. This change resulted in a decrease both in cash and deferred revenue as of April 30, 2018 compared to April 30, 2017.

Note 7 - Line of Credit

Effective April 2, 2018, the COCPA entered into a line of credit agreement with a financial institution for \$225,000 that matures on April 2, 2019. There were no borrowings against the line during the year-ended April 30, 2018. The line bears interest at the Wall Street Journal Prime lending rate plus 1%, which was 5.75% as of April 30, 2018. Under terms of the line of credit, the COCPA is required to maintain a specified liquidity ratio and Debt to Net Asset ratio.

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, 2018 and 2017 was \$54,879 and \$50,077, 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 \$257,808 and \$237,747 for the years ended April 30, 2018 and 2017, respectively, 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, 2018, are as follows:

<u>Year Ending April 30,</u>	
2019	\$ 279,158
2020	284,595
2021	290,137
2022	295,783
2023	301,273
Thereafter	592,109
	<u>\$ 2,043,055</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 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 \$36,050 and \$42,679, respectively, for the years ended April 30, 2018 and 2017. The COCPA also made cash contributions to the Foundation of \$5,000 during the year ended April 30, 2018. No such cash contribution to the Foundation was made for the year ended April 30, 2017.

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, 2018 and 2017, the COCPA paid \$1,400 and \$27,855, respectively, to Board members and Board members' firms for services to the COCPA in the customary course of business.