

INDIANA CPA SOCIETY, INC.

Financial Statements

June 30, 2011 and 2010



Indiana CPA Society, Inc.

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June 30, 2011 and 2010

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Indianapolis, Indiana

Independent Auditor's Report

Board of Directors
Indiana CPA Society, Inc.
Indianapolis, IN

We have audited the accompanying statements of financial position of the Indiana CPA Society, Inc. (a nonprofit organization) as of June 30, 2011 and 2010, and the related statements of activities and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Society's management. 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Indiana CPA Society, Inc. as of June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Dunton & Co.

October 27, 2011

Indiana CPA Society, Inc.

**Statements of Financial Position
June 30, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
ASSETS		
Cash and cash equivalents	\$ 236,704	\$ 258,255
Short-term investments	1,864,526	1,727,931
Accounts receivable	18,781	34,842
Prepaid expenses	60,201	124,209
Long-term investments	1,460,483	1,304,100
Property and equipment, net	<u>122,268</u>	<u>145,797</u>
Total assets	<u><u>\$ 3,762,963</u></u>	<u><u>\$ 3,595,134</u></u>
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 176,746	\$ 222,323
Deferred dues	2,110,848	2,036,127
Unearned revenue	438,161	363,053
Deferred rent	<u>28,545</u>	<u>10,557</u>
Total liabilities	2,754,300	2,632,060
Unrestricted net assets	<u>1,008,663</u>	<u>963,074</u>
Total liabilities and net assets	<u><u>\$ 3,762,963</u></u>	<u><u>\$ 3,595,134</u></u>

See Independent Auditor's Report.

See accompanying notes to financial statements.

Indiana CPA Society, Inc.

**Statements of Activities and Changes in Net Assets
For the years ended June 30, 2011 and 2010**

	2011	2010
REVENUES		
Membership dues and fees	\$ 2,191,008	\$ 2,111,410
Professional development revenue	2,322,477	2,134,633
Peer review revenue	117,936	123,983
Investment income	45,428	87,976
Other income	168,013	199,031
Total revenue	4,844,862	4,657,033
EXPENSES		
Program Services		
Professional development	2,070,010	1,888,979
Professionalism	490,603	460,292
Member services	923,462	888,146
Public outreach	361,608	347,174
Advocacy	411,497	381,582
Total program services	4,257,180	3,966,173
General and administrative	665,822	563,228
Total expenses	4,923,002	4,529,401
Increase (decrease) in net assets before unrealized gain (loss) on investments	(78,140)	127,632
Non-Operating Revenue		
Unrealized gain (loss) on investments	123,729	(13,048)
Increase in net assets	45,589	114,584
Unrestricted net assets, beginning of year	963,074	848,490
Unrestricted Net Assets, end of year	\$ 1,008,663	\$ 963,074

See Independent Auditor's Report.
See accompanying notes to financial statements.

Indiana CPA Society, Inc.

Statements of Cash Flows For the years ended June 30, 2011 and 2010

	2011	2010
OPERATING ACTIVITIES		
Increase in net assets	\$ 45,589	\$ 114,586
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	61,622	79,834
Loss (gain) on disposal of equipment	1,875	(3,274)
Realized loss (gain) on investments	15,684	(42,760)
Unrealized loss (gain) on investments	(123,729)	13,048
(Increase) Decrease in:		
Accounts receivable and other assets	16,061	1,942
Prepaid expenses	64,008	(41,551)
Increase (Decrease) in:		
Accounts payable and accrued expenses	(45,577)	28,129
Deferred dues	74,721	64,759
Unearned revenue	75,108	2,048
Deferred rent	17,988	(57,706)
Net cash provided by operating activities	203,350	159,055
INVESTING ACTIVITIES		
Purchases of property and equipment	(39,649)	(58,174)
Short-term investments proceeds	3,177,157	6,126,179
Short-term investment purchases	(3,328,834)	(6,265,906)
Long-term investments proceeds	792,349	1,034,299
Long-term investments purchases	(825,924)	(965,465)
Net cash used by investing activities	(224,901)	(129,067)
Increase (decrease) in cash and cash equivalents	(21,551)	29,988
Cash and Cash Equivalents, Beginning of Year	258,255	228,267
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 236,704	\$ 258,255

See Independent Auditor's Report.

See accompanying notes to financial statements.

Indiana CPA Society, Inc.
Notes to Financial Statements
June 30, 2011 and 2010

Note 1: Nature of Activities

The Indiana CPA Society, Inc. (Society) was incorporated in 1915 as a not-for-profit professional organization. The Society's mission is to enhance the professional success of its members while promoting the public interest, to encourage and facilitate the adherence to high ethical and professional standards, to facilitate relationships that will benefit its members, to promote a better understanding of the services rendered by CPA's and to represent the accounting profession.

A major portion of the Society's funding is from collections of dues from individuals and from revenues received for providing professional education to its members and other professionals. The Society provides continuing professional education to its members through courses developed or sponsored by other organizations including the American Institute of Certified Public Accounts (AICPA). The Society also develops courses with the assistance of college professors and other professionals. The Society, in addition, holds various events and meetings within the State of Indiana for its members to network, to be informed about current events and issues and to provide guidance and input to the Society's objectives. The Society also hosts various events to inform non-members and promote the profession.

The Society serves as its members' voice in legislative and regulatory affairs and engages in media, public relations, and lobbying activities for the benefit of its members and the profession.

Note 2: Significant Accounting Policies

Basis of presentation – The financial statements are prepared on an accrual basis in conformity with accounting principles generally accepted in the United States. As a not-for-profit organization, the Society follows the principles of accounting and financial statement presentation as set forth by FASB Codification – Not-For-Profit Organizations.

Cash and cash equivalents – For financial statement purposes, cash equivalents include all highly liquid investments and all certificates of deposit with purchased maturities of three months or less. The cash and cash equivalents carrying amount approximates fair value because of the short maturity of those instruments.

Accounts receivable – Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Society provides for losses on accounts receivable using the allowance method based on management's assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance. Changes in the valuation allowance have not been material to the financial statements. At June 30, 2011 and June 30, 2010, accounts receivable were deemed collectible, and therefore, allowances for doubtful accounts were not deemed necessary.

Investments – Investments in equity funds are carried at market value. Market value is based on observable market prices. Unrealized gains and losses are reflected in the change in net assets. Investment income is shown net of investment fees and realized gains and losses. (Note 3)

Indiana CPA Society, Inc.
Notes to Financial Statements
June 30, 2011 and 2010

Property and equipment – Leasehold improvements, equipment, software, and other related assets are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are provided using the straight line method over the estimated useful lives of the assets. Estimated useful lives range from three to eleven years. The Society expenses minor equipment purchases and maintenance and repairs. (Note 4)

Revenue recognition – Membership dues are recognized as revenue on a straight-line amortized basis over the applicable membership period. The membership year coincides with the Society's fiscal year. Peer review administration fees are amortized over the covered year, which also coincides with the Society year end. Professional development course, conference and seminar fees are recognized as revenue when the event occurs.

Rent expense – The Society recognizes rent expense for an accelerating payments lease and certain lease signing incentives on a straight-line basis over the term of the lease. (Note 6)

Accounting estimates – The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Allocation of expenses – Certain support expenses including occupancy costs, office expenses, and depreciation are allocated among reportable programs on the basis of space, staff time and expense analyses.

Advertising expense – The Society expenses advertising expenses as incurred. Total advertising costs for the years ended June 30, 2011 and June 30, 2010 were \$47,895 and \$21,502 respectively.

Income taxes – The Society is a professional not-for-profit organization exempt from federal income taxes on certain types of revenue under Section 501(c)(6) of the Internal Revenue Code. The Society does conduct certain activities unrelated to its exempt purpose. The revenue from those activities is subject to Unrelated Business Income Tax. The net income from those activities is insignificant or a net loss after allocation of expenses to those activities. The Society also has net operating loss carryovers that offset any Unrelated Business Income Taxes. Therefore, no provision has been made for federal and state income taxes for the years ended June 30, 2011 and 2010.

Note 3: Investments

The Society invests cash in excess of daily requirements in short-term managed funds. At June 30, 2011 and 2010 the balances were \$1,124,599 and \$521,540, respectively. These funds are included with short term investments.

It is the policy of the Society to maximize income using approved moderate to conservative investment instruments designed to safeguard principal while maximizing return on investment. The investments are managed by a local financial institution and the fees incurred to manage the investments were approximately \$14,256 for 2011 and \$15,134 for 2010.

Indiana CPA Society, Inc.
Notes to Financial Statements
June 30, 2011 and 2010

Short-term and long-term investments are recorded at fair value, which is the same as quoted prices in active markets, and consist of the following as of June 30, 2011 and 2010:

	2011			2010		
	Cost	Market Value	Unrealized Gain (Loss)	Cost	Market Value	Unrealized Gain (Loss)
Short Term						
Corporate & Federal Agencies	\$ 740,613	\$ 739,927	\$ (686)	\$1,207,998	\$ 1,206,391	\$ (1,607)
Managed cash funds	1,124,599	1,124,599	-	521,540	521,540	-
Total Investments	<u>\$ 1,865,212</u>	<u>\$ 1,864,526</u>	<u>\$ (686)</u>	<u>\$1,729,538</u>	<u>\$ 1,727,931</u>	<u>\$ (1,607)</u>

In addition to the short term portfolio, the Society maintains a long term investment portfolio. The long-term portfolio is used to generate income using approved moderate to conservative investment instruments designed to safeguard principal while maximizing return on investment. Long-term investments are recorded at fair value and consist of the following as of June 30, 2011 and 2010:

	2011			2010		
	Cost	Market Value	Unrealized Gain (Loss)	Cost	Market Value	Unrealized Gain (Loss)
Managed cash funds	\$ 27,057	\$ 27,057	\$ -	\$ 202,900	\$ 202,900	\$ -
Corporate & Federal Agencies	780,420	803,046	22,626	602,844	634,093	31,249
Mutual Funds & Equities	507,667	630,380	122,713	475,826	467,107	(8,719)
Total Investments	<u>\$ 1,315,144</u>	<u>\$ 1,460,483</u>	<u>\$ 145,339</u>	<u>\$ 1,281,570</u>	<u>\$ 1,304,100</u>	<u>\$ 22,530</u>

Indiana CPA Society, Inc.
Notes to Financial Statements
June 30, 2011 and 2010

Investment income is comprised of interest and dividend income on short and long-term investments and the net realized gain or loss on the sale of investments. For the years ended June 30, 2011 and June 30, 2010, total investment income was \$76,797 and \$74,928, respectively.

Note 4: Property and Equipment

Property and equipment included the following at June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Leasehold improvements	\$ 138,569	\$ 129,259
Furniture and equipment	554,798	524,460
Automobile	38,611	38,611
Computer equipment	<u>561,103</u>	<u>560,782</u>
Total Cost	1,293,081	1,253,112
Accumulated depreciation	<u>(1,170,813)</u>	<u>(1,107,315)</u>
Net Book Value	<u>\$ 122,268</u>	<u>\$ 145,797</u>

Note 5: Line of Credit

The Society has a \$200,000 line of credit with its bank for operating purposes. The funds are available as needed through December 31, 2011 at which point a new term will be negotiated. The line is secured by the assets of the Society and accrues interest at a rate of Prime minus fifty basis points. The interest contains a floor of 3.75%. There are no compensating balance requirements although the Society is expected to maintain its operating financial activities with the financial institution providing the line of credit. As of June 30, 2011 and 2010 there was no balance outstanding and there were no borrowings against the line during the years ended June 30, 2011 and 2010.

Note 6: Leases

The Society leases office and storage space under a non-cancelable lease originally dated March 1993 and renegotiated in December 2009. The lease expires on March 31, 2019 and provides for escalating payments. The lesser may adjust the lease payments for the Society's pro-rata share of certain increases in the lessor's operating expenses

Indiana CPA Society, Inc.
Notes to Financial Statements
June 30, 2011 and 2010

The Society recognizes the rent expense on a straight-line basis over the lease period. At the original lease inception, the Society received certain incentives, including a cash payment. These incentives are recognized ratably over the life of the lease. The difference between rent paid and rent expense together with the unamortized balance of incentives is shown as deferred rent in the Statement of Financial Position.

The Society leases its computers and network equipment and certain office equipment under operating leases.

Future minimum lease payments for all leases are as follows:

Year ending June 30,	
2012	\$ 255,383
2013	261,633
2014	267,882
2015	274,132
2016	276,716
Thereafter	<u>622,611</u>
	<u>\$ 1,958,357</u>

Total rent expense for the years ended June 30, 2011 and June 30, 2010 was \$341,516 and \$312,910, respectively.

Note7: Related Parties

The Society has two separate affiliates, the Indiana CPA Educational Foundation (Foundation) and the Indiana CPA Political Action Committee (PAC). The Society receives contributions for both of these organizations through the membership dues renewal process and special donations and remits the contributions to the entities on a monthly basis. As of June 30, 2011, \$470 was owed to the Foundation and \$676 was owed to the PAC.

Indiana CPA Society, Inc.
Notes to Financial Statements
June 30, 2011 and 2010

Note 8: Concentration of Credit Risk

During the year the Society maintained cash deposits with its bank which exceeded the \$250,000 limit of insurance by the Federal Deposit Insurance Corporation (FDIC). It is the policy of the Society to keep its operating funds in highly rated financial institutions and not keep more than \$500,000 in deposits in operating accounts for more than ten consecutive business days. (See Footnote 3)

Note 9: Fair Value Measurements

Fair values of assets measured on a recurring basis at June 30, 2011 and 2010 are as follows:

Fair Value Measurement at Reporting Dates Using

		Quoted Prices in Active Markets For Identical Assets	
	Fair Value	Level I	
June 30, 2011			
<u>Short term Investments</u>			
Managed cash funds	\$ 1,124,599	\$ 1,124,599	
Corporate and Federal Agencies	739,927	739,927	
<u>Long term investments</u>			
Managed cash funds	27,057	27,057	
Corporate and Federal Agencies	803,046	803,046	
Mutual funds and equities	630,380	630,580	
	<u>\$ 3,325,009</u>	<u>\$ 3,325,009</u>	

Indiana CPA Society, Inc.
Notes to Financial Statements
June 30, 2011 and 2010

June 30, 2010	Fair Value	Quoted Prices in Active Markets For Identical Assets Level I
<u>Short term Investments</u>		
Managed cash funds	\$ 521,540	\$ 521,540
Corporate and Federal Agencies	1,206,391	1,206,391
<u>Long term investments</u>		
Managed cash funds	202,900	202,900
Corporate and Federal Agencies	634,093	634,093
Mutual funds and equities	467,107	467,107
	<u>\$ 3,032,031</u>	<u>\$ 3,032,031</u>

Fair values for short and long term investments are determined by reference to quoted market prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

Note 10: Pension Plan

The Society maintains a defined contribution employee pension and profit sharing plan under Section 401(k) of the Internal Revenue Code. Employees are eligible to participate in the qualified non-elective and profit-sharing contributions if they are at least twenty-one years of age and have completed one year of service. Contributions to the plan are discretionary and must be approved by the Board of Directors. For the years ended June 30, 2011 and June 30, 2010 the Society's contributions were \$97,320 and \$84,940, respectively. In addition, the Society has a non-qualified deferred compensation plan available to certain officers.

Indiana CPA Society, Inc.
Notes to Financial Statements
June 30, 2011 and 2010

Note 11: Uncertain Tax Positions

As noted under significant accounting policies, the Society does conduct certain activities unrelated to its exempt purpose and the revenue from those activities is subject to Unrelated Business Income Tax. The Society believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statement.

The Society's exempt organization income tax returns and its unrelated business income tax returns (Forms 990 and 990T, respectively) for the years ended June 30, 2011, 2010, and 2009 are subject to examination by the IRS, generally for three years after the returns have been filed with the IRS.

Note 12: Change in Presentation

The Society changed its grouping of expenses by natural class in the Schedule of Functional Expenses for the year ended June 30, 2011, which changed the allocation of expenses presented on the Statement of Activities for 2010 to conform with the current year presentation.

Note 13: Evaluation of Subsequent Events

The Society has evaluated subsequent events through October 27, 2011, the date which the financial statements were available to be issued.



Indianapolis, Indiana

Independent Auditor's Report on Supplementary Schedule

Board of Directors
Indiana CPA Society, Inc.
Indianapolis, IN

Our report on our audit of the basic financial statements of the Indiana CPA Society, Inc. for 2011 and 2010 appears on page 1. That audit was conducted in accordance with auditing standards generally accepted in the United States of America for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedule of Functional Expenses for the year ended June 30, 2011 with comparative totals for 2010 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Dunton & Co.

October 27, 2011

Indiana CPA Society, Inc.

**Schedule of Functional Expenses
For the Year Ending June 30, 2011
(With Comparative Totals for 2010)**

	2011							2010
	Professional Development	Professionalism	Member Services	Public Outreach	Advocacy	General & Administrative	TOTAL	TOTALS
Personnel	\$ 401,374	\$ 193,671	\$ 385,848	\$ 186,291	\$ 159,636	\$ 604,080	\$ 1,930,901	\$ 1,814,513
Occupancy and office operations	113,556	27,774	71,650	22,689	20,596	361,788	618,053	637,409
Depreciation	18,033	4,462	14,807	4,256	3,432	16,633	61,622	79,834
Insurance	-	-	-	-	-	21,831	21,831	20,323
Professional Services	125	26,585	1,065	9,995	76,710	99,378	213,858	174,377
Postage and Printing	98,003	9,405	105,882	5,562	6,794	11,602	237,248	226,041
Travel and Meetings	7,963	72,362	7,267	14,693	49,743	332,172	484,201	411,843
Course Expense and Member Events	1,137,803	33,165	88,202	5,763	-	87,055	1,351,988	1,162,011
Grants, Support, Sponsorships	-	-	-	786	471	2,043	3,300	3,050
G & A Allocation	293,153	123,179	248,741	111,573	94,115	(870,760)	-	
TOTAL EXPENSES 2011	<u>\$ 2,070,010</u>	<u>\$ 490,603</u>	<u>\$ 923,462</u>	<u>\$ 361,608</u>	<u>\$ 411,497</u>	<u>\$ 665,822</u>	<u>\$ 4,923,002</u>	<u>\$ 4,529,401</u>
TOTAL EXPENSES 2010	<u>\$ 1,888,979</u>	<u>\$ 460,292</u>	<u>\$ 888,146</u>	<u>\$ 347,174</u>	<u>\$ 381,582</u>	<u>\$ 563,228</u>	<u>\$ 4,529,401</u>	