

MINNESOTA SOCIETY OF CERTIFIED PUBLIC
ACCOUNTANTS

CONSOLIDATED FINANCIAL STATEMENTS
TOGETHER WITH
INDEPENDENT AUDITORS' REPORT

MARCH 31, 2010

MINNESOTA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1
CONSOLIDATED FINANCIAL STATEMENTS:	
Statement of Financial Position	2
Statement of Activities	3
Statements of Functional Expenses	4-7
Statement of Cash Flows	8
Notes to Consolidated Financial Statements	9-17
SUPPLEMENTARY INFORMATION:	
Consolidating Schedule of Financial Position	18-19
Consolidating Schedule of Activities	20-21
Consolidating Schedule of Cash Flows	22-23

INDEPENDENT AUDITORS' REPORT

Board of Directors
Minnesota Society of Certified Public Accountants
Bloomington, Minnesota

We have audited the accompanying consolidated statement of financial position of Minnesota Society of Certified Public Accountants (a nonprofit organization), as of March 31, 2010, and the related consolidated statement of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Minnesota Society of Certified Public Accountants as of March 31, 2009 were audited by other auditors whose report dated July 9, 2009 expressed an unqualified opinion on those statements.

We conducted our audit 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 audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Minnesota Society of Certified Public Accountants as of March 31, 2010, and the consolidated changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying information listed as supplemental information in the table of contents is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on it.

St. Paul, Minnesota
July 15, 2010

Olsen Thielen & Co., Ltd.

MINNESOTA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION MARCH 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
Assets:		
Cash and cash equivalents	\$ 1,558,724	\$ 1,520,812
Investments - operating reserve	3,244,538	3,190,400
Investments - long-term reserve	884,313	647,822
Accounts receivable	58,600	77,096
Prepaid expenses	192,367	195,644
Property and equipment - net	<u>559,039</u>	<u>526,683</u>
Total assets	<u>\$ 6,497,581</u>	<u>\$ 6,158,457</u>
Liabilities and net assets:		
Liabilities:		
Accounts payable	\$ 75,397	\$ 107,320
Accrued compensation and related taxes	119,861	113,616
Accrued pension contribution	150,704	129,479
Accrued scholarship commitment	30,000	29,000
Promises to give	15,000	20,000
Deferred rent	130,054	133,645
Deferred compensation	6,997	30,936
Deferred revenue:		
Membership dues	1,349,527	1,310,604
Future activities	<u>226,818</u>	<u>205,386</u>
Total liabilities	<u>2,104,358</u>	<u>2,079,986</u>
Net assets:		
Unrestricted:		
Board designated - Scholarships	61,690	73,192
Undesignated	<u>4,331,533</u>	<u>4,005,279</u>
Total net assets	<u>4,393,223</u>	<u>4,078,471</u>
Total liabilities and net assets	<u>\$ 6,497,581</u>	<u>\$ 6,158,457</u>

The accompanying notes are an integral part of the consolidated financial statements.

MINNESOTA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

CONSOLIDATED STATEMENT OF ACTIVITIES FOR THE YEARS ENDED MARCH 31, 2010 AND 2009

	2010	2009
Revenue and gains:		
Education Fund programs	\$ 2,758,478	\$ 2,943,104
Conferences and chapter programs	875,303	898,261
Membership dues	1,697,945	1,673,034
Membership programs	121,988	117,573
Publication sales and advertising	119,757	154,236
Professional standards	114,109	106,442
Investment income (loss)	316,616	(87,306)
Other	93,890	79,968
Total revenue and gains	6,098,086	5,885,312
Expenses and losses:		
Program expenses:		
Education fund programs	2,590,131	2,770,253
General fund conferences	686,949	697,516
Membership services	835,447	822,417
Communications	408,747	522,174
Government relations	195,672	183,091
Professional standards	116,781	110,335
Total program expenses	4,833,727	5,105,786
Management and general	949,607	917,021
Total expenses	5,783,334	6,022,807
Loss from disposal of property and equipment	-	17
Total expenses and losses	5,783,334	6,022,824
Increase (decrease) in net assets	314,752	(137,512)
Net assets - beginning of year	4,078,471	4,215,983
Net assets - end of year	\$ 4,393,223	\$ 4,078,471

The accompanying notes are an integral part of the consolidated financial statements.

MINNESOTA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

**CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MARCH 31, 2010 (WITH COMPARATIVE TOTALS FOR 2009)**

	2010			
	Education Fund	General Fund Conferences	Membership Services	Communications
Education programs	\$ 1,748,898	\$ 470,460	\$ -	\$ -
Scholarships	25,000	-	-	-
Recognition dinners	-	-	64,908	-
Corporate CPA programs	-	-	38,847	-
Recruiting and retention	-	-	99,498	-
Footnote publication	-	-	-	94,949
Greater Minnesota promotional campaign	-	-	-	-
Lobbyist	-	-	-	-
Technical reviewer fees	-	-	-	-
Board retreat	-	-	-	-
Leadership cabinet	-	-	-	-
Other direct expenses	2,462	23,407	88,048	18,690
Salaries	415,845	114,888	331,849	175,925
Payroll taxes	31,211	8,473	24,776	13,181
Employee benefits	53,248	13,257	40,945	21,626
Retirement plan	36,229	10,142	28,724	15,342
Staff development	15,135	-	12,558	10,853
Employment fees	325	-	-	99
Rent	54,270	14,279	39,586	21,621
Office supplies	2,527	446	1,765	793
Telephone	3,711	949	2,745	1,479
Insurance	3,416	901	2,491	1,361
Postage	1,458	114	333	335
Printing	49	-	49	10,821
Miscellaneous equipment	9,145	1,445	4,382	1,876
Equipment rent and maintenance	2,471	646	1,823	988
Web development	3,063	1,317	2,261	1,299
Network maintenance	16,345	3,884	12,218	6,571
Depreciation and amortization	65,686	4,562	12,661	6,919
Staff travel	122	-	577	89
Staff business expense	1,579	-	1,589	2,238
Professional fees	-	-	-	-
Miscellaneous	2,955	-	-	-
Credit card processing fees	54,094	17,779	22,814	1,692
Chapters	-	-	-	-
Contributions	40,887	-	-	-
Taxes	-	-	-	-
Total expenses	\$ 2,590,131	\$ 686,949	\$ 835,447	\$ 408,747

The accompanying notes are an integral part of the consolidated financial statements.

2010				2009
Government Relations	Professional Standards	Management and General	Total	Total
\$ -	\$ -	\$ -	\$ 2,219,358	\$ 2,398,566
-	-	-	25,000	25,000
-	-	-	64,908	60,896
-	-	-	38,847	41,958
-	-	-	99,498	99,347
-	-	-	94,949	100,612
-	-	-	-	83,864
21,500	-	-	21,500	-
-	31,144	-	31,144	30,555
-	-	12,286	12,286	21,692
-	-	17,621	17,621	19,002
20,002	10,381	26,168	189,158	211,890
99,085	45,753	534,487	1,717,832	1,664,814
7,746	3,414	40,568	129,369	127,284
12,662	5,568	66,359	213,665	188,616
9,012	3,979	47,276	150,704	129,479
2,552	853	6,073	48,024	55,069
-	-	-	424	6,854
8,918	6,660	49,592	194,926	191,126
348	441	1,713	8,033	9,499
623	450	3,382	13,339	12,856
560	419	3,120	12,268	14,038
268	40	299	2,847	3,587
-	1,010	-	11,929	21,375
648	903	3,430	21,829	33,822
395	290	2,189	8,802	24,332
513	422	2,992	11,867	11,228
5,378	2,006	14,918	61,320	57,946
2,853	2,129	15,887	110,697	98,892
1,276	-	147	2,211	2,009
1,333	26	11,526	18,291	16,887
-	-	41,516	41,516	42,930
-	-	1,916	4,871	2,709
-	893	193	97,465	97,136
-	-	22,649	22,649	31,289
-	-	-	40,887	68,648
-	-	23,300	23,300	17,000
<u>\$ 195,672</u>	<u>\$ 116,781</u>	<u>\$ 949,607</u>	<u>\$ 5,783,334</u>	<u>\$ 6,022,807</u>

MINNESOTA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES (Continued)
FOR THE YEAR ENDED MARCH 31, 2009

	2009			
	<u>Education Fund</u>	<u>General Fund Conferences</u>	<u>Membership Services</u>	<u>Communications</u>
Education programs	\$ 1,904,966	\$ 493,600	\$ -	\$ -
Scholarships	25,000	-	-	-
Recognition dinner	-	-	60,896	-
Corporate CPA programs	-	-	41,958	-
Recruiting and retention	-	-	99,347	-
Footnote publication	-	-	-	100,612
Greater Minnesota promotional campaign	-	-	-	83,864
Technical reviewer fees	-	-	-	-
Board retreat	-	-	-	-
Leadership cabinet	-	-	-	-
Other direct expenses	6,527	24,027	91,144	19,237
Salaries	428,036	108,070	320,256	160,960
Payroll taxes	32,818	8,194	24,469	12,488
Employee benefits	48,831	11,176	36,713	18,723
Retirement plan	33,315	8,546	24,821	12,728
Staff development	21,292	-	17,317	7,898
Employment fees	2,735	-	1,935	1,282
Rent	56,318	13,550	39,195	19,670
Office supplies	2,582	608	2,061	886
Telephone	3,806	913	2,637	1,319
Insurance	4,152	998	2,870	1,427
Postage	1,442	140	710	465
Printing	220	1	452	18,873
Miscellaneous equipment	13,222	2,286	5,974	2,910
Equipment rent and maintenance	18,272	573	1,798	854
Web development	2,547	609	4,342	845
Network maintenance	16,017	4,181	11,253	5,900
Depreciation and amortization	61,809	3,691	10,803	5,415
Staff travel	195	10	435	63
Staff business expense	942	-	1,137	1,441
Professional fees	-	-	-	-
Miscellaneous	900	-	-	-
Credit card processing fees	57,661	16,343	19,894	2,314
Chapters	-	-	-	-
Contributions	26,648	-	-	42,000
Taxes	-	-	-	-
Total expenses	<u>\$ 2,770,253</u>	<u>\$ 697,516</u>	<u>\$ 822,417</u>	<u>\$ 522,174</u>

The accompanying notes are an integral part of the consolidated financial statements.

2009

Government Relations	Professional Standards	Management and General	Total
\$ -	\$ -	\$ -	\$ 2,398,566
-	-	-	25,000
-	-	-	60,896
-	-	-	41,958
-	-	-	99,347
-	-	-	100,612
-	-	-	83,864
-	30,555	-	30,555
-	-	21,692	21,692
-	-	19,002	19,002
33,792	9,982	27,181	211,890
98,993	42,749	505,750	1,664,814
7,602	3,279	38,434	127,284
11,267	5,050	56,856	188,616
7,678	3,340	39,051	129,479
2,211	226	6,125	55,069
-	-	902	6,854
8,462	5,793	48,138	191,126
488	828	2,046	9,499
570	383	3,228	12,856
613	435	3,543	14,038
291	63	476	3,587
1	1,822	6	21,375
1,349	951	7,130	33,822
385	267	2,183	24,332
315	302	2,268	11,228
4,786	1,833	13,976	57,946
2,324	1,609	13,241	98,892
1,238	-	68	2,009
725	-	12,642	16,887
-	-	42,930	42,930
-	-	1,809	2,709
1	868	55	97,136
-	-	31,289	31,289
-	-	-	68,648
-	-	17,000	17,000
<u>\$ 183,091</u>	<u>\$ 110,335</u>	<u>\$ 917,021</u>	<u>\$ 6,022,807</u>

MINNESOTA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 314,752	\$ (137,512)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	110,697	98,892
Gain on disposal of property and equipment	(1,732)	(102)
Loss on disposal of property and equipment	-	17
(Gain) loss in fair value of investments	(233,860)	229,019
(Increase) decrease in accounts receivable	18,496	(6,201)
(Increase) decrease in prepaid expenses	3,276	(29,373)
Decrease in accounts payable	(31,923)	(28,656)
Increase in accruals	23,470	13,360
Increase (decrease) in deferred rent	(3,591)	2,816
Decrease in deferred compensation	(23,939)	(23,363)
Increase (decrease) in deferred revenue	60,355	(73,854)
Net cash provided by operating activities	<u>236,001</u>	<u>45,043</u>
Cash flows from investing activities		
Purchase of investments	(4,026,376)	(3,758,794)
Sale or maturity of investments	3,969,608	3,684,956
Purchase of property and equipment	(143,053)	(110,389)
Proceeds from sale of equipment	1,732	700
Net cash used in investing activities	<u>(198,089)</u>	<u>(183,527)</u>
Net increase (decrease) in cash and cash equivalents	37,912	(138,484)
Cash and cash equivalents - beginning of year	<u>1,520,812</u>	<u>1,659,296</u>
Cash and cash equivalents - end of year	<u>\$ 1,558,724</u>	<u>\$ 1,520,812</u>
Supplementary disclosure of cash flow information:		
Cash paid for income taxes	\$ 12,000	\$ 11,000

The accompanying notes are an integral part of the consolidated financial statements.

MINNESOTA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. ORGANIZATION AND NATURE OF ACTIVITIES

The Minnesota Society of Certified Public Accountants (the Society) was incorporated in 1904 under the laws of the State of Minnesota. The mission of the Society is to help members succeed professionally while being mindful of serving the public interest.

Operations of the Society are carried out through its General Fund and its Education Fund. The Education Fund was established as a separate division in 1984 to provide quality educational opportunities that will enable members and other business professionals to anticipate and meet the needs of the financial and business community. General Fund programs include General Fund conferences, membership services, communications, government relations and professional standards.

The Education Fund annually provides over 300 high quality courses, conferences, and seminars for the benefit of both certified public accountants (CPAs) and the general public. These programs meet continuing professional education (CPE) requirements established by the State of Minnesota in order to hold an active CPA certificate. In cooperation with Metropolitan State University, the Education Fund also operates an ongoing "MBA for CPA" program. In addition, the Education Fund administers a college scholarship program funded by donor-restricted contributions and board designated net assets.

General Fund conferences include the annual Tax Conference and Management and Business Advisors Conference. These are premier specialty events with over 2,000 paid participants each year.

Membership services reach, assist, and involve all segments of the membership, from new CPAs to those in public accounting, industry, government and education. Membership services provide professional resources, products, and services to Society members.

Communications programs use a variety of vehicles to advocate for the profession and provide information about the profession to Society membership and the general public. The Society's primary publication is the *Footnote*, which is published nine times per year.

Government relations activities foster working relationships with regulatory bodies, legislators and the public, providing advocacy for the certified public accounting profession in Minnesota and for state tax policy issues.

Professional standards activities provide administration of peer reviews for CPA firms and professional ethics oversight of members to maintain the highest possible self-regulating quality standards.

MINNESOTA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. BASIS OF CONSOLIDATION

The financial statements include the combined operations of the Society's General Fund, Education Fund, and all related entities in which the Society has an economic interest and control. Those related entities include five regional chapters of the Society (two of which are dormant as of March 31, 2010 and 2009). Interrelated receivables, payables, revenues and expenses have been eliminated.

A separate organization, the Minnesota Society of Certified Public Accountants Public Affairs Committee (PAC) is not included in these consolidated financial statements because the Society does not have control with respect to the PAC.

C. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

D. CONTRIBUTIONS

Contributions received are recorded as an increase in unrestricted or temporarily restricted support, depending on the existence and nature of any donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Accordingly, net assets of the Education Fund and changes therein are classified and reported as follows (see also Note 7):

Unrestricted - resources over which the Board of Directors (the Board) has discretionary control. Designated amounts represent revenue which the Board has set aside for a particular purpose. Restricted contributions whose restrictions are met in the same reporting period are classified as unrestricted.

Temporarily restricted - resources subject to donor-imposed restrictions which will be satisfied by actions of the Education Fund or passage of time.

The Society has no temporarily restricted net assets at March 31, 2010 and 2009.

MINNESOTA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. FUNCTIONAL ALLOCATION OF EXPENSES

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

F. CASH AND CASH EQUIVALENTS

Cash equivalents consist of highly liquid investments with an initial maturity of three months or less, excluding investments held as part of reserves. Cash equivalents are stated at cost, which approximate fair value

G. INVESTMENTS

Investments are recorded at fair value in the consolidated statement of financial position using quoted market prices. Net realized and unrealized gains and losses, as well as investment revenue from dividends and interest, are reflected in the consolidated statement of activities as changes in unrestricted net assets, unless restrictions are imposed by the donor.

H. RECEIVABLES AND ALLOWANCE FOR DOUBTFUL ACCOUNTS

Accounts receivable are unsecured and are substantially all from Society members in Minnesota.

The Society's policy is to present accounts receivable in the statement of financial position net of estimated uncollectible amounts. The estimated uncollectible amount was \$10,000 at both March 31, 2010 and 2009, based on management's judgment about the likelihood of collection of individual receivables. Receivables are considered past due after 60 days and are written off after all collection efforts have been exhausted.

I. PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost and are depreciated or amortized using the straight-line method based on estimated useful lives as follows:

Leasehold improvements	Lesser of estimated useful life or remaining term of related lease
Office furniture and equipment	3 to 10 years

The Society follows the practice of capitalizing all expenditures for property and equipment in excess of \$2,000. Repairs and maintenance are charged to expense as incurred. Renewals and improvements which extend the useful life of assets are capitalized and depreciated over future periods.

MINNESOTA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. REVENUE RECOGNITION

Continuing professional education course fees and meeting and conference admission charges are recognized as revenue in the period in which the event occurs. Membership dues are recognized as revenue ratably over the annual membership period. Advertising revenue is recognized when the ad is published.

K. CONTRIBUTED SERVICES

Contributions of services are recognized for services that create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would ordinarily be purchased if not provided by donation. Contributed services, including promises to give, that do not meet these criteria are not recognized. The Society receives a substantial amount of services donated by volunteers. The value of this donated time has not been reflected in the financial statements since it does not meet the standards of recording.

L. FAIR VALUE MEASUREMENTS

Under generally accepted accounting principles as outlined in the Financial Accounting Standards Board's *Accounting Standards Codification* (ASC) 820, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The accounting standards establish a three-level fair value hierarchy that prioritizes information used in developing assumptions when pricing an asset or liability as follows:

Level 1 - Observable inputs such as quoted prices in active markets for identical assets;

Level 2 - Inputs, other than quoted prices in active markets that are observable either directly or indirectly; and,

Level 3 - Unobservable inputs where there is little or no market data which require the reporting entity to develop its own assumption.

The Society uses observable market data, when available, in making fair value measurements. Fair value measurements are classified according to the lowest level input that is significant to the valuation.

The Society holds certain assets that are required to be measured at fair value on a recurring basis. The fair value of the Society's investment securities were determined based on Level 1 inputs. The fair value of the certificates of deposit and government securities were determined based on Level 2 inputs.

MINNESOTA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - INVESTMENTS

Investment income consisted of the following for the years ended March 31:

	2010	2009
Interest and dividends	\$ 82,756	\$ 141,713
Change in fair value	233,860	(229,019)
Total investment income (loss)	\$ 316,616	\$ (87,306)

The following schedule summarizes investments held at March 31:

	2010	2009
Investments - Operating reserve		
Cash and cash equivalents	\$ 411,104	\$ 35,356
Certificates of deposit	2,711,874	3,030,469
Mortgage backed securities	7,041	6,410
Government securities mutual fund	113,708	117,461
Bond mutual fund	811	704
	\$ 3,244,538	\$ 3,190,400

	2010	2009
Investments - long-term reserve		
Cash equivalents	\$ 18,986	\$ 11,246
Equity mutual funds	569,631	379,902
Fixed income mutual funds	172,385	225,738
Balanced mutual funds	116,314	-
Deferred compensation investments:		
Cash equivalents	6,997	15,998
Government bonds	-	14,938
	\$ 884,313	\$ 647,822

Significant fair value measurements at March 31, 2010 and 2009 are as follows:

	Level 1	Level 2	Total
2010:			
Investments:			
Mutual funds	\$ 972,849	\$ -	\$ 972,849
Certificates of deposit	-	2,711,874	2,711,874
Mortgage backed securities	-	7,041	7,041
Total	\$ 972,849	\$ 2,718,915	\$ 3,691,764
2009:			
Investments:			
Mutual funds	\$ 723,807	\$ -	\$ 723,807
Certificates of deposit	-	3,030,469	3,030,469
Mortgage backed securities	-	21,348	21,348
Total	\$ 723,807	\$ 3,051,817	\$ 3,775,624

MINNESOTA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3 - PROPERTY AND EQUIPMENT

A summary of property and equipment as of March 31 is as follows:

	<u>2010</u>	<u>2009</u>
Office equipment	\$ 499,590	\$ 468,557
Furniture and fixtures	184,180	184,180
Leasehold improvements	86,661	86,661
Construction in progress	151,725	39,704
Total	<u>922,156</u>	<u>779,102</u>
Less: accumulated depreciation and amortization	<u>(363,117)</u>	<u>(252,419)</u>
Property and equipment, net	<u>\$ 559,039</u>	<u>\$ 526,683</u>

Depreciation and amortization expense was \$110,697 and \$98,890 for the years ended March 31, 2010 and 2009, respectively.

NOTE 4 - PROMISES TO GIVE

The Society made an unconditional promise to give \$25,000 to the American Institute of Certified Public Accountants (AICPA) Foundation for its Accounting Doctoral Students Program. The promise is payable in \$5,000 installments over five years.

Outstanding promises to give were payable as follows as of March 31:

	<u>2010</u>	<u>2009</u>
Less than one year	\$ 5,000	\$ 5,000
One to five years	10,000	15,000
Total promises to give	<u>\$ 15,000</u>	<u>\$ 20,000</u>

NOTE 5 - RETIREMENT PLAN

The Society has a defined contribution retirement plan covering all employees who meet certain minimum eligibility requirements.

Eligible employees are allowed to make deferral contributions. In addition, the Plan allows for discretionary employer contributions, both matching and profit-sharing. For the years ended March 31, 2010 and 2009, the Society made total contributions of \$150,704 and \$129,479, respectively. For the year ended March 31, 2010, the contribution consisted of matching contributions of \$43,565, calculated as 100% of employee contributions up to 3% of eligible compensation, and profit-sharing contributions of \$107,139, based on 7% of eligible compensation, less forfeitures. For the year ended March 31, 2009, the contribution consisted of matching contributions of \$38,265, and profit-sharing contributions of \$91,214, calculated based on the same criteria.

MINNESOTA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 - DEFERRED COMPENSATION

The Society has a deferred compensation agreement with a key employee who retired on May 31, 2001. Deferred compensation payments of \$2,000 are paid monthly, until funds contributed by the Society to a Deferred Compensation Account as specified in the agreement have been exhausted.

The deferred compensation liability and related assets, stated at fair value, were \$6,997 and \$30,936 at March 31, 2010 and 2009, respectively. See also Note 2.

NOTE 7 - RESTRICTED AND BOARD-DESIGNATED NET ASSETS

SCHOLARSHIP PROGRAM

The Society receives contributions restricted for scholarships to be awarded to accounting students at Minnesota colleges and universities. In addition, the Society's Board has designated otherwise unrestricted net assets, including income earned on certain investments, in support of the scholarship program. Summarized below is the activity related to the scholarship program:

	<u>2010</u>	<u>2009</u>
Board-designated balance, beginning of year	\$ 73,192	\$ 91,609
Contributions restricted for scholarships	6,344	6,740
Investment income designated for scholarships	7,229	730
Scholarships fund expenses	(75)	(887)
Scholarships paid	<u>(25,000)</u>	<u>(25,000)</u>
Board-designated balance, end of year	<u>\$ 61,690</u>	<u>\$ 73,192</u>

NOTE 8 - LEASE COMMITMENT

The Society leases its office and classroom space in Bloomington, Minnesota. The lease expires in March 2017 and requires minimum monthly payments of \$13,348, with base rent increases occurring every one to two years, and a three month rent holiday in the fiscal year ending March 31, 2013. In addition to base rent, the Society is required to pay its pro-rata share of operating expenses of the building. The lease grants two five-year options to extend the lease term.

Minimum monthly payments under the lease commitments are scheduled to be as follows:

2011	\$ 160,175
2012	166,582
2013	136,950
2014	185,803
2015	189,006
Thereafter	<u>387,624</u>
Total	<u>\$ 1,226,140</u>

MINNESOTA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8 - LEASE COMMITMENT (Continued)

Rent expense for the years ended March 31, 2010 and 2009 totaled \$324,867 and \$318,144, respectively, including rent allocated directly to education programs in the amount of \$129,941 and \$127,018.

NOTE 9 - CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Society to concentrations of credit risk consist principally of cash, short-term investments, marketable securities and other investments. Substantially all the Society's operating reserves are placed either in certificates of deposits that do not exceed federally insured limits or in mutual funds which invest in government securities. Cash and cash equivalents are placed with a high-quality financial institution, with funds in excess of current operating needs invested in a government securities money market fund. limiting the amount of credit exposure at any one financial institution. However, cash balances periodically exceed federal insured limits.

NOTE 10 - INCOME TAXES

The Society is exempt from income taxes under Section of 501(c)(6) of the Internal Revenue Code related to operation of its General Fund and Section 501(c)(3) related to operation of its Education Fund. The Society also qualifies as a tax-exempt organization under applicable statutes of the State of Minnesota.

The Society generates unrelated business income from its monthly publication and other advertising, from unqualified sponsorships, and from subrental of training space within its facility. Income tax expense was \$23,300 and \$17,000 for 2010 and 2009, respectively.

Effective April 1, 2009, the Society adopted new accounting guidance related to uncertainty in income taxes. This guidance clarifies the recognition threshold and measurement requirements for income tax positions taken or expected to be taken in income tax returns. This includes positions that the entity is exempt from income taxes or not subject to income taxes on unrelated business income. Under the new standards, the Society recognizes tax benefits from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by taxing authorities. Prior to April 1, 2009, the Society accrued liabilities for uncertain positions if losses were probable and could be reasonably estimated. The Society has identified no significant income tax uncertainties. The Society is open to examination for tax years 2006 through 2008.

NOTE 11 - SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

During the fiscal years ended March 31, 2010 and 2009, the deferred compensation balance increased by \$61 and \$637, respectively, due to an increase in the fair market value of the related investments, and decreased by \$24,000 in each of the two years due to distributions.

MINNESOTA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12 - SUBSEQUENT EVENTS

Effective April 1, 2010, certain programs were moved from the Education Fund to the General Fund, including seminars, sales of self-study products, activities from other partnerships and rentals from sub-leasing. Allocation of revenue and expenses between the Education Fund and the General Fund were adjusted accordingly. Assets and liabilities in the Education Fund at March 31, 2010 that relate to programs moved to the General Fund were acquired by the General Fund at book value.

In preparing these financial statements, the Society has evaluated for recognition or disclosure the events or transactions that occurred through July 15, 2010, the date the financial statements were available to be issued. Except as discussed in the preceding paragraph, there were no subsequent events that required recognition or disclosure in the financial statements.

MINNESOTA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

**CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
MARCH 31, 2010 AND 2009**

	2010			
	General Fund	Education Fund	Chapters	Total
Assets:				
Cash and cash equivalents	\$ 1,374,795	\$ 126,808	\$ 57,121	\$ 1,558,724
Investments - operating reserve	2,269,348	975,190	-	3,244,538
Investments - long-term reserve	884,313	-	-	884,313
Accounts receivable	12,168	46,432	-	58,600
Interfund receivables (payables)	(41,027)	41,027	-	-
Prepaid expenses	183,197	9,170	-	192,367
Property and equipment - net	474,630	84,409	-	559,039
Total assets	\$ 5,157,424	\$ 1,283,036	\$ 57,121	\$ 6,497,581
Liabilities and net assets:				
Liabilities:				
Accounts payable	\$ 38,767	\$ 36,630	\$ -	\$ 75,397
Accrued compensation and related taxes	89,075	30,786	-	119,861
Accrued pension contribution	114,475	36,229	-	150,704
Accrued scholarship commitment	-	26,000	4,000	30,000
Promises to give	-	15,000	-	15,000
Deferred rent	130,054	-	-	130,054
Deferred compensation	6,997	-	-	6,997
Deferred revenue:				
Membership dues	1,349,527	-	-	1,349,527
Future activities	209,192	17,626	-	226,818
Total liabilities	1,938,087	162,271	4,000	2,104,358
Net assets:				
Unrestricted:				
Board designated - Scholarships	-	61,690	-	61,690
Undesignated	3,219,337	1,059,075	53,121	4,331,533
Total net assets	3,219,337	1,120,765	53,121	4,393,223
Total liabilities and net assets	\$ 5,157,424	\$ 1,283,036	\$ 57,121	\$ 6,497,581

2009

General Fund	Education Fund	Chapters	Total
\$ 1,425,552	\$ 36,970	\$ 58,290	\$ 1,520,812
2,222,264	968,136	-	3,190,400
647,822	-	-	647,822
25,863	51,233	-	77,096
(226,197)	226,197	-	-
153,132	42,512	-	195,644
417,151	109,532	-	526,683
<u>\$ 4,665,587</u>	<u>\$ 1,434,580</u>	<u>\$ 58,290</u>	<u>\$ 6,158,457</u>
\$ 94,239	\$ 13,081	\$ -	\$ 107,320
86,688	26,928	-	113,616
96,164	33,315	-	129,479
-	25,000	4,000	29,000
-	20,000	-	20,000
133,645	-	-	133,645
30,936	-	-	30,936
1,310,604	-	-	1,310,604
59,542	145,844	-	205,386
<u>1,811,818</u>	<u>264,168</u>	<u>4,000</u>	<u>2,079,986</u>
-	73,192	-	73,192
2,853,769	1,097,220	54,290	4,005,279
<u>2,853,769</u>	<u>1,170,412</u>	<u>54,290</u>	<u>4,078,471</u>
<u>\$ 4,665,587</u>	<u>\$ 1,434,580</u>	<u>\$ 58,290</u>	<u>\$ 6,158,457</u>

MINNESOTA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

**CONSOLIDATING SCHEDULE OF ACTIVITIES
FOR THE YEARS ENDED MARCH 31, 2010 AND 2009**

	2010				Total
	General Fund	Education Fund	Chapters	Eliminations	
Revenue and gains:					
Education Fund programs	\$ -	\$ 2,758,478	\$ -	\$ -	\$ 2,758,478
Conferences and chapter programs	875,303	-	-	-	875,303
Membership dues	1,697,945	-	-	-	1,697,945
Membership programs	121,988	-	21,090	(21,090)	121,988
Publication sales and advertising	119,757	-	-	-	119,757
Professional standards	114,109	-	-	-	114,109
Investment income (loss)	298,069	18,175	372	-	316,616
Other	26,349	86,241	-	(18,700)	93,890
Total revenue and gains	<u>3,253,520</u>	<u>2,862,894</u>	<u>21,462</u>	<u>(39,790)</u>	<u>6,098,086</u>
Expenses and losses:					
Program expenses:					
Education fund programs	-	2,590,131	-	-	2,590,131
General fund conferences	686,949	-	-	-	686,949
Membership services	835,447	-	-	-	835,447
Communications	408,747	-	-	-	408,747
Government relations	195,672	-	-	-	195,672
Professional standards	116,781	-	-	-	116,781
Total program expenses	<u>2,243,596</u>	<u>2,590,131</u>	<u>-</u>	<u>-</u>	<u>4,833,727</u>
Management and general	644,356	322,410	22,631	(39,790)	949,607
Total expenses	<u>2,887,952</u>	<u>2,912,541</u>	<u>22,631</u>	<u>(39,790)</u>	<u>5,783,334</u>
Loss from disposal of property and equipment					
Total expenses and losses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenses and losses	<u>2,887,952</u>	<u>2,912,541</u>	<u>22,631</u>	<u>(39,790)</u>	<u>5,783,334</u>
Increase (decrease) in net assets	365,568	(49,647)	(1,169)	-	314,752
Net assets - beginning of year	<u>2,853,769</u>	<u>1,170,412</u>	<u>54,290</u>	<u>-</u>	<u>4,078,471</u>
Net assets - end of year	<u>\$ 3,219,337</u>	<u>\$ 1,120,765</u>	<u>53,121</u>	<u>\$ -</u>	<u>\$ 4,393,223</u>

2009				
General Fund	Education Fund	Chapters	Eliminations	Total
\$ -	\$ 2,943,104	\$ -	\$ -	\$ 2,943,104
898,261	-	20,981	(20,981)	898,261
1,673,034	-	-	-	1,673,034
117,573	-	14,170	(14,170)	117,573
154,236	-	-	-	154,236
106,442	-	-	-	106,442
(122,746)	34,896	544	-	(87,306)
20,351	79,967	-	(20,350)	79,968
<u>2,847,151</u>	<u>3,057,967</u>	<u>35,695</u>	<u>(55,501)</u>	<u>5,885,312</u>
-	2,770,253	-	-	2,770,253
697,516	-	-	-	697,516
822,417	-	-	-	822,417
522,174	-	-	-	522,174
183,091	-	-	-	183,091
110,335	-	-	-	110,335
<u>2,335,533</u>	<u>2,770,253</u>	<u>-</u>	<u>-</u>	<u>5,105,786</u>
595,493	324,759	52,270	(55,501)	917,021
<u>2,931,026</u>	<u>3,095,012</u>	<u>52,270</u>	<u>(55,501)</u>	<u>6,022,807</u>
17	-	-	-	17
<u>2,931,043</u>	<u>3,095,012</u>	<u>52,270</u>	<u>(55,501)</u>	<u>6,022,824</u>
(83,892)	(37,045)	(16,575)	-	(137,512)
<u>2,937,661</u>	<u>1,207,457</u>	<u>70,865</u>	<u>-</u>	<u>4,215,983</u>
<u>\$ 2,853,769</u>	<u>\$ 1,170,412</u>	<u>54,290</u>	<u>\$ -</u>	<u>\$ 4,078,471</u>

MINNESOTA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

**CONSOLIDATING SCHEDULE OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2010 AND 2009**

	2010			
	<u>General Fund</u>	<u>Education Fund</u>	<u>Chapters</u>	<u>Total</u>
Cash flows from operating activities:				
Increase (decrease) in net assets	\$ 365,568	\$ (49,647)	\$ (1,169)	\$ 314,752
Adjustments to reconcile change in net assets to net cash provided by (used) in operating activities:				
Depreciation and amortization	85,574	25,123	-	110,697
Gain on disposal of property and equipment	(1,732)	-	-	(1,732)
Loss on disposal of property and equipment	-	-	-	-
(Gain) loss in fair value of investments	(230,113)	(3,747)	-	(233,860)
(Increase) decrease in accounts receivable	(171,475)	189,971	-	18,496
(Increase) decrease in prepaid expenses	(30,065)	33,341	-	3,276
Increase (decrease) in accounts payable	(55,472)	23,549	-	(31,923)
Decrease in accruals	20,698	2,772	-	23,470
Increase (decrease) in deferred rent	(3,591)	-	-	(3,591)
Decrease in deferred compensation	(23,939)	-	-	(23,939)
Increase (decrease) in deferred revenue	188,573	(128,218)	-	60,355
Net cash provided by (used in) operating activities	<u>144,026</u>	<u>93,144</u>	<u>(1,169)</u>	<u>236,001</u>
Cash flows from investing activities				
Purchase of investments	(2,836,995)	(1,189,381)	-	(4,026,376)
Sale or maturity of investments	2,783,533	1,186,075	-	3,969,608
Purchase of property and equipment	(143,053)	-	-	(143,053)
Proceeds from sale of equipment	1,732	-	-	1,732
Net cash used in investing activities	<u>(194,783)</u>	<u>(3,306)</u>	<u>-</u>	<u>(198,089)</u>
Net increase (decrease) in cash and cash equivalents	(50,757)	89,838	(1,169)	37,912
Cash and cash equivalents - beginning of year	<u>1,425,552</u>	<u>36,970</u>	<u>58,290</u>	<u>1,520,812</u>
Cash and cash equivalents - end of year	<u>\$ 1,374,795</u>	<u>\$ 126,808</u>	<u>\$ 57,121</u>	<u>\$ 1,558,724</u>

2009

General Fund	Education Fund	Chapters	Total
\$ (83,892)	\$ (37,045)	\$ (16,575)	\$ (137,512)
75,752	23,140	-	98,892
-	(102)	-	(102)
17	-	-	17
229,945	(926)	-	229,019
(64,145)	57,944	-	(6,201)
(46,130)	15,757	1,000	(29,373)
(3,455)	(25,201)	-	(28,656)
5,613	6,747	1,000	13,360
2,816	-	-	2,816
(23,363)	-	-	(23,363)
(91,916)	18,062	-	(73,854)
1,242	58,376	(14,575)	45,043
(2,890,082)	(868,712)	-	(3,758,794)
2,829,906	855,050	-	3,684,956
(77,238)	(33,151)	-	(110,389)
700	-	-	700
(136,714)	(46,813)	-	(183,527)
(135,472)	11,563	(14,575)	(138,484)
1,561,024	25,407	72,865	1,659,296
<u>\$ 1,425,552</u>	<u>\$ 36,970</u>	<u>\$ 58,290</u>	<u>\$ 1,520,812</u>