

MINNESOTA SOCIETY OF CERTIFIED PUBLIC  
ACCOUNTANTS

CONSOLIDATED FINANCIAL STATEMENTS  
TOGETHER WITH  
INDEPENDENT AUDITORS' REPORT

MARCH 31, 2011

# MINNESOTA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

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**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, 2011 and 2010, and the related consolidated statement of activities, functional expenses, and cash flows for the years 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 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 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, 2011 and 2010, and the consolidated changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were 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 13, 2011

*Olsen Thielen & Co., Ltd.*

**MINNESOTA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
MARCH 31, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
<b>Assets:</b>		
Cash and cash equivalents	\$ 1,655,504	\$ 1,558,724
Investments - operating reserve	3,257,036	3,244,538
Investments - long-term reserve	946,126	884,313
Accounts receivable	30,123	58,600
Prepaid expenses	203,300	192,367
Property and equipment - net	<u>501,806</u>	<u>559,039</u>
 Total assets	 <u>\$ 6,593,895</u>	 <u>\$ 6,497,581</u>
<b>Liabilities and net assets:</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 64,901	\$ 75,397
Accrued compensation and related taxes	149,366	119,861
Accrued pension contribution	157,959	150,704
Accrued scholarship commitment	30,000	30,000
Promises to give	30,000	15,000
Deferred rent	128,372	130,054
Deferred compensation	-	6,997
<b>Deferred revenue:</b>		
Membership dues	1,594,481	1,349,527
Future activities	<u>196,332</u>	<u>226,818</u>
Total liabilities	<u>2,351,411</u>	<u>2,104,358</u>
<b>Net assets:</b>		
<b>Unrestricted:</b>		
Board designated - scholarships	49,047	61,690
Board designated - long-term reserve	946,126	884,313
Undesignated	<u>3,247,311</u>	<u>3,447,220</u>
Total net assets	<u>4,242,484</u>	<u>4,393,223</u>
 Total liabilities and net assets	 <u>\$ 6,593,895</u>	 <u>\$ 6,497,581</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, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Revenue and gains:		
Education programs	\$ 3,492,533	\$ 3,633,781
Membership dues	1,718,979	1,697,945
Membership programs	103,218	121,988
Publication sales and advertising	116,764	119,757
Professional standards	112,571	114,109
Investment income	133,388	316,616
Other	95,760	93,890
Total revenue and gains	<u>5,773,213</u>	<u>6,098,086</u>
Expenses and losses:		
Program expenses:		
Education programs	3,273,908	3,277,080
Membership services	871,356	835,447
Communications	453,283	408,747
Government relations	236,251	195,672
Professional standards	125,464	116,781
Total program expenses	<u>4,960,262</u>	<u>4,833,727</u>
Management and general	963,690	949,607
Total expenses	<u>5,923,952</u>	<u>5,783,334</u>
Increase (decrease) in net assets	(150,739)	314,752
Net assets - beginning of year	<u>4,393,223</u>	<u>4,078,471</u>
Net assets - end of year	<u>\$ 4,242,484</u>	<u>\$ 4,393,223</u>

*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, 2011 (WITH COMPARATIVE TOTALS FOR 2010)**

	2011			
	Education Fund Programs	General Fund Education Programs	Membership Services	Communications
Education programs	\$ 333,032	\$ 1,899,695	\$ -	\$ -
Scholarships	25,000	-	-	-
Recognition dinners	-	-	57,997	-
Corporate CPA programs	-	-	35,049	-
Recruiting and retention	-	-	55,496	-
Footnote publication	-	-	-	100,173
CPA promotional campaign	-	-	-	66,810
Lobbyist	-	-	-	-
Technical reviewer fees	-	-	-	-
Board retreat	-	-	-	-
Leadership cabinet	-	-	-	-
Other direct expenses	104	2,620	79,223	29,700
Salaries	136,796	388,862	380,783	148,747
Payroll taxes	10,580	29,149	28,290	11,117
Employee benefits	16,760	47,500	46,475	18,397
Retirement plan	12,482	34,760	33,496	13,114
Staff development	5,545	9,591	19,330	3,658
Employment fees	-	-	325	325
Rent	16,954	48,197	46,294	18,121
Office supplies	567	1,907	1,885	780
Telephone	1,268	3,484	3,468	1,316
Insurance	1,079	3,046	2,934	1,149
Postage	390	1,454	1,026	470
Printing	-	-	482	14,131
Miscellaneous equipment	2,308	6,053	6,149	4,262
Equipment rent and maintenance	738	2,180	2,075	797
Web development	1,888	6,548	5,780	2,505
Network maintenance	5,309	15,405	15,511	5,719
Depreciation and amortization	7,560	72,154	20,972	8,514
Staff travel	-	10	20	94
Staff business expense	-	1,184	1,647	1,760
Professional fees	-	-	-	-
Miscellaneous	-	-	-	-
Credit card processing fees	8,236	67,640	26,649	1,624
Chapters	-	-	-	-
Contributions	45,873	-	-	-
Taxes	-	-	-	-
<b>Total expenses</b>	<b>\$ 632,469</b>	<b>\$ 2,641,439</b>	<b>\$ 871,356</b>	<b>\$ 453,283</b>

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

2011				2010
Government Relations	Professional Standards	Management and General	Total	Total
\$ -	\$ -	\$ -	\$ 2,232,727	\$ 2,219,358
-	-	-	25,000	25,000
-	-	-	57,997	64,908
-	-	-	35,049	38,847
-	-	-	55,496	99,498
-	-	-	100,173	94,949
-	-	-	66,810	-
27,000	-	-	27,000	21,500
-	36,780	-	36,780	31,144
-	-	10,945	10,945	12,286
-	-	15,093	15,093	17,621
23,783	10,624	22,345	168,399	189,158
117,364	46,950	564,215	1,783,717	1,717,832
8,677	3,487	42,158	133,458	129,369
14,303	5,780	68,469	217,684	213,665
10,270	4,108	49,729	157,959	150,704
3,404	862	6,662	49,052	48,024
-	-	-	650	424
11,053	6,555	49,452	196,626	194,926
402	276	1,668	7,485	8,033
799	483	3,680	14,498	13,339
700	415	3,134	12,457	12,268
393	83	622	4,438	2,847
1,153	1,162	-	16,928	11,929
1,330	856	5,721	26,679	21,829
501	290	2,163	8,744	8,802
1,583	869	6,320	25,493	11,867
6,043	1,875	14,439	64,301	61,320
5,198	3,049	22,767	140,214	110,697
267	-	-	391	2,211
2,028	-	11,679	18,298	18,291
-	-	41,550	41,550	41,516
-	-	370	370	4,871
-	960	196	105,305	97,465
-	-	16,841	16,841	22,649
-	-	-	45,873	40,887
-	-	3,472	3,472	23,300
<u>\$ 236,251</u>	<u>\$ 125,464</u>	<u>\$ 963,690</u>	<u>\$ 5,923,952</u>	<u>\$ 5,783,334</u>

**MINNESOTA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS**  
**CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES (Continued)**  
**FOR THE YEAR ENDED MARCH 31, 2010**

	2010			
	Education Fund Programs	General Fund Education Programs	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
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	-	-	-	-
<b>Total expenses</b>	<b>\$ 2,590,131</b>	<b>\$ 686,949</b>	<b>\$ 835,447</b>	<b>\$ 408,747</b>

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

2010

Government Relations	Professional Standards	Management and General	Total
\$ -	\$ -	\$ -	\$ 2,219,358
-	-	-	25,000
-	-	-	64,908
-	-	-	38,847
-	-	-	99,498
-	-	-	94,949
21,500	-	-	21,500
-	31,144	-	31,144
-	-	12,286	12,286
-	-	17,621	17,621
20,002	10,381	26,168	189,158
99,085	45,753	534,487	1,717,832
7,746	3,414	40,568	129,369
12,662	5,568	66,359	213,665
9,012	3,979	47,276	150,704
2,552	853	6,073	48,024
-	-	-	424
8,918	6,660	49,592	194,926
348	441	1,713	8,033
623	450	3,382	13,339
560	419	3,120	12,268
268	40	299	2,847
-	1,010	-	11,929
648	903	3,430	21,829
395	290	2,189	8,802
513	422	2,992	11,867
5,378	2,006	14,918	61,320
2,853	2,129	15,887	110,697
1,276	-	147	2,211
1,333	26	11,526	18,291
-	-	41,516	41,516
-	-	1,916	4,871
-	893	193	97,465
-	-	22,649	22,649
-	-	-	40,887
-	-	23,300	23,300
<u>\$ 195,672</u>	<u>\$ 116,781</u>	<u>\$ 949,607</u>	<u>\$ 5,783,334</u>

**MINNESOTA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS**

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED MARCH 31, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ (150,739)	\$ 314,752
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	140,214	110,697
Gain on disposal of property and equipment	-	(1,732)
Gain in fair value of investments	(86,323)	(233,860)
Decrease in accounts receivable	28,477	18,496
(Increase) decrease in prepaid expenses	(10,933)	3,276
Decrease in accounts payable	(10,496)	(31,923)
Increase in accruals	51,760	23,470
Decrease in deferred rent	(1,682)	(3,591)
Decrease in deferred compensation	(6,997)	(23,939)
Increase in deferred revenue	214,468	60,355
Net cash provided by operating activities	<u>167,749</u>	<u>236,001</u>
Cash flows from investing activities:		
Purchase of investments	(4,616,287)	(4,026,376)
Sale or maturity of investments	4,628,299	3,969,608
Purchase of property and equipment	(82,981)	(143,053)
Proceeds from sale of equipment	-	1,732
Net cash used in investing activities	<u>(70,969)</u>	<u>(198,089)</u>
Net increase in cash and cash equivalents	96,780	37,912
Cash and cash equivalents - beginning of year	<u>1,558,724</u>	<u>1,520,812</u>
Cash and cash equivalents - end of year	<u>\$ 1,655,504</u>	<u>\$ 1,558,724</u>
Supplementary disclosure of cash flow information:		
Cash paid for income taxes	\$ 24,488	\$ 12,000

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

# MINNESOTA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### **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 educational courses and conferences, membership services, communications, government relations and professional standards.

The Society provides educational programs 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.

The Education Fund organizes and conducts nine niche educational conferences each year and coordinates custom education programs for other organizations. In addition, the Education Fund administers a college scholarship program funded by donor-restricted contributions and board designated net assets (see Note 7) and makes contributions to other charitable organizations.

General Fund educational programs include over 260 seminars serving in excess of 8,000 participants, access to more than 200 webcasts, sales of self-study products and two conferences. The conferences are comprised of a Tax Conference and Management and Business Advisors Conference, 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 publications are the *Footnote*, which is published nine times per year, and eight E-newsletters.

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.

# MINNESOTA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **A. ORGANIZATION AND NATURE OF ACTIVITIES (Continued)**

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.

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. Net property and equipment in the Education Fund at April 1, 2010 that related to programs moved to the General Fund were transferred to the General Fund at book value of \$84,409.

#### **B. BASIS OF CONSOLIDATION**

The financial statements included 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, 2011 and 2010). 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 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. SUBSEQUENT EVENTS**

In preparing these financial statements, the Society has evaluated for recognition or disclosure the events or transactions that occurred through July 13, 2011, the date the financial statements were available to be issued.

# MINNESOTA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **E. 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 Society 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 Society or passage of time.

Permanently restricted – resources subject to donor-imposed restrictions which will be maintained permanently by the Society.

The Society has no temporarily or permanently restricted net assets as of March 31, 2011 and 2010.

#### **F. FUNCTIONAL ALLOCATION OF EXPENSES**

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

#### **G. 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.

#### **H. 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.

#### **I. RECEIVABLES AND ALLOWANCE FOR DOUBTFUL ACCOUNTS**

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

# MINNESOTA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **I. RECEIVABLES AND ALLOWANCE FOR DOUBTFUL ACCOUNTS (Continued)**

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 \$8,000 and \$10,000 at March 31, 2011 and 2010, respectively, 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.

#### **J. 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
Website redesign	5 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.

#### **K. 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.

#### **L. 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.

# MINNESOTA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **M. 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 as displayed in Note 2.

### **NOTE 2 - INVESTMENTS**

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

	<u>2011</u>	<u>2010</u>
Interest and dividends	\$ 47,065	\$ 82,756
Change in fair value	<u>86,323</u>	<u>233,860</u>
Total investment income	<u>\$ 133,388</u>	<u>\$ 316,616</u>

# MINNESOTA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### **NOTE 2 - INVESTMENTS (Continued)**

The following schedule summarizes investments held at March 31:

	2011	2010
Investments - Operating reserve:		
Cash and cash equivalents	\$ 625,669	\$ 411,104
Certificates of deposit	2,520,136	2,711,874
Mortgage backed securities	6,079	7,041
Government securities mutual fund	104,292	113,708
Bond mutual fund	860	811
	\$ 3,257,036	\$ 3,244,538

	2011	2010
Investments - long-term reserve:		
Cash equivalents	\$ 122,450	\$ 18,986
Equity mutual funds	556,973	569,631
Fixed income mutual funds	155,234	172,385
Balanced mutual funds	111,469	116,314
Deferred compensation investments:		
Cash equivalents	-	6,997
	\$ 946,126	\$ 884,313

Significant fair value measurements at March 31, 2011 and 2010 are as follows:

	Level 1	Level 2	Total
2011:			
Investments:			
Mutual funds	\$ 928,828	\$ -	\$ 928,828
Certificates of deposit	-	2,520,136	2,520,136
Mortgage backed securities	-	6,079	6,079
Total	\$ 928,828	\$ 2,526,215	\$ 3,455,043
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

The fair value of certificates of deposit and mortgage backed securities were obtained from independent quotation services whose appraisals are based on closing prices, bid-ask quotations or other factors.

# 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>2011</u>	<u>2010</u>
Office equipment	\$ 317,311	\$ 499,590
Furniture and fixtures	221,249	184,180
Leasehold improvements	293,164	86,661
Website redesign	173,413	-
Construction in progress	-	151,725
Total	<u>1,005,137</u>	<u>922,156</u>
Less: accumulated depreciation and amortization	<u>(503,331)</u>	<u>(363,117)</u>
Property and equipment, net	<u>\$ 501,806</u>	<u>\$ 559,039</u>

Depreciation and amortization expense was \$140,214 and \$110,697 for the years ended March 31, 2011 and 2010, 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. In addition, the Society has made an unconditional promise to give \$20,000 to another organization to promote financial literacy; the promise is payable within one year.

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

	<u>2011</u>	<u>2010</u>
Less than one year	\$ 25,000	\$ 5,000
One to five years	5,000	10,000
Total promises to give	<u>\$ 30,000</u>	<u>\$ 15,000</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, 2011 and 2010, the Society made total contributions of \$157,959 and \$150,704, respectively. For the year ended March 31, 2011, the contribution consisted of matching contributions of \$45,143 calculated as 100% of employee contributions up to 3% of eligible compensation, and profit-sharing contributions of \$112,816, based on 7% of eligible compensation, less forfeitures. For the year ended March 31, 2010, the contribution consisted of matching contributions of \$43,565 and profit-sharing contributions of \$107,139, calculated based on the same criteria.

# MINNESOTA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### **NOTE 6 - DEFERRED COMPENSATION**

The Society had a deferred compensation agreement with a key employee who retired on May 31, 2001. Deferred compensation payments of \$2,000 were paid monthly, until funds contributed by the Society to a Deferred Compensation Account as specified in the agreement were exhausted in 2010.

### **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 amounts restricted or Board-designated for the scholarship program:

	<u>2011</u>	<u>2010</u>
Board-designated balance, beginning of year	\$ 61,690	\$ 73,192
Contributions restricted for scholarships	6,965	6,344
Investment income designated for scholarships	5,495	7,229
Scholarships fund expenses	(103)	(75)
Scholarships paid	<u>(25,000)</u>	<u>(25,000)</u>
Board-designated balance, end of year	<u>\$ 49,047</u>	<u>\$ 61,690</u>

#### **LONG-TERM RESERVES**

The Society's Board has designated certain portions of its investment portfolios as displayed in Note 2 for long-term strategic initiatives of the Society.

### **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 \$14,796, 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:

2012	\$ 177,558
2013	148,136
2014	197,199
2015	200,613
2016	204,026
Thereafter	<u>207,439</u>
Total	<u>\$ 1,134,971</u>

Rent expense for the years ended March 31, 2011 and 2010 totaled \$327,538 and \$324,867, respectively, including rent allocated directly to education programs in the amount of \$130,912 and \$129,941.

# MINNESOTA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### **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 \$3,472 and \$23,300 for 2011 and 2010, respectively.

The Society reviews income tax positions taken or expected to be taken in income tax returns to determine if there are any income tax uncertainties. This includes positions that the entity is exempt from income taxes or not subject to income taxes on unrelated business income. 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. The Society has identified no significant income tax uncertainties.

The Society is open to examination for tax years 2008 through 2010.

**MINNESOTA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS**

**CONSOLIDATING SCHEDULE OF FINANCIAL POSITION  
MARCH 31, 2011 AND 2010**

	2011			
	General Fund	Education Fund	Chapters	Total
<b>Assets:</b>				
Cash and cash equivalents	\$ 1,560,675	\$ 32,096	\$ 62,733	\$ 1,655,504
Investments - operating reserve	2,287,528	969,508	-	3,257,036
Investments - long-term reserve	946,126	-	-	946,126
Accounts receivable	23,875	6,248	-	30,123
Interfund receivables (payables)	62,409	(62,409)	-	-
Prepaid expenses	200,146	3,154	-	203,300
Property and equipment - net	501,806	-	-	501,806
<b>Total assets</b>	<b>\$ 5,582,565</b>	<b>\$ 948,597</b>	<b>\$ 62,733</b>	<b>\$ 6,593,895</b>
<b>Liabilities and net assets:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 58,611	\$ 6,290	\$ -	\$ 64,901
Accrued compensation and related taxes	149,366	-	-	149,366
Accrued pension contribution	157,959	-	-	157,959
Accrued scholarship commitment	-	25,000	5,000	30,000
Promises to give	-	30,000	-	30,000
Deferred rent	128,372	-	-	128,372
Deferred compensation	-	-	-	-
<b>Deferred revenue:</b>				
Membership dues	1,594,481	-	-	1,594,481
Future activities	190,066	6,266	-	196,332
<b>Total liabilities</b>	<b>2,278,855</b>	<b>67,556</b>	<b>5,000</b>	<b>2,351,411</b>
<b>Net assets:</b>				
<b>Unrestricted:</b>				
Board designated - scholarships	-	49,047	-	49,047
Board designated - long-term reserve	946,126	-	-	946,126
Undesignated	2,357,584	831,994	57,733	3,247,311
<b>Total net assets</b>	<b>3,303,710</b>	<b>881,041</b>	<b>57,733</b>	<b>4,242,484</b>
<b>Total liabilities and net assets</b>	<b>\$ 5,582,565</b>	<b>\$ 948,597</b>	<b>\$ 62,733</b>	<b>\$ 6,593,895</b>

2010

General Fund	Education Fund	Chapters	Total
\$ 1,374,795	\$ 126,808	\$ 57,121	\$ 1,558,724
2,269,348	975,190	-	3,244,538
884,313	-	-	884,313
12,168	46,432	-	58,600
(41,027)	41,027	-	-
183,197	9,170	-	192,367
474,630	84,409	-	559,039
<u>\$ 5,157,424</u>	<u>\$ 1,283,036</u>	<u>\$ 57,121</u>	<u>\$ 6,497,581</u>
\$ 38,767	\$ 36,630	\$ -	\$ 75,397
89,075	30,786	-	119,861
114,475	36,229	-	150,704
-	26,000	4,000	30,000
-	15,000	-	15,000
130,054	-	-	130,054
6,997	-	-	6,997
1,349,527	-	-	1,349,527
209,192	17,626	-	226,818
<u>1,938,087</u>	<u>162,271</u>	<u>4,000</u>	<u>2,104,358</u>
-	61,690	-	61,690
884,313			884,313
<u>2,335,024</u>	<u>1,059,075</u>	<u>53,121</u>	<u>3,447,220</u>
<u>3,219,337</u>	<u>1,120,765</u>	<u>53,121</u>	<u>4,393,223</u>
<u>\$ 5,157,424</u>	<u>\$ 1,283,036</u>	<u>\$ 57,121</u>	<u>\$ 6,497,581</u>

**MINNESOTA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS**

**CONSOLIDATING SCHEDULE OF ACTIVITIES  
FOR THE YEARS ENDED MARCH 31, 2011 AND 2010**

	2011				Total
	General Fund	Education Fund	Chapters	Eliminations	
Revenue and gains:					
Education programs	\$ 3,008,363	\$ 484,170	\$ -	\$ -	\$ 3,492,533
Membership dues	1,718,979	-	-	-	1,718,979
Membership programs	103,218	-	21,195	(21,195)	103,218
Publication sales and advertising	116,764	-	-	-	116,764
Professional standards	112,571	-	-	-	112,571
Investment income	123,129	10,001	258	-	133,388
Other	81,395	14,365	-	-	95,760
Total revenue and gains	<u>5,264,419</u>	<u>508,536</u>	<u>21,453</u>	<u>(21,195)</u>	<u>5,773,213</u>
Expenses and losses:					
Program expenses:					
Education programs	2,641,439	632,469	-	-	3,273,908
Membership services	871,356	-	-	-	871,356
Communications	453,283	-	-	-	453,283
Government relations	236,251	-	-	-	236,251
Professional standards	125,464	-	-	-	125,464
Total program expenses	<u>4,327,793</u>	<u>632,469</u>	<u>-</u>	<u>-</u>	<u>4,960,262</u>
Management and general	<u>852,253</u>	<u>115,791</u>	<u>16,841</u>	<u>(21,195)</u>	<u>963,690</u>
Total expenses	<u>5,180,046</u>	<u>748,260</u>	<u>16,841</u>	<u>(21,195)</u>	<u>5,923,952</u>
Increase (decrease) in net assets	84,373	(239,724)	4,612	-	(150,739)
Net assets - beginning of year	<u>3,219,337</u>	<u>1,120,765</u>	<u>53,121</u>	<u>-</u>	<u>4,393,223</u>
Net assets - end of year	<u>\$ 3,303,710</u>	<u>\$ 881,041</u>	<u>\$ 57,733</u>	<u>\$ -</u>	<u>\$ 4,242,484</u>

2010				
General Fund	Education Fund	Chapters	Eliminations	Total
\$ 875,303	\$ 2,758,478	\$ -	\$ -	\$ 3,633,781
1,697,945	-	-	-	1,697,945
121,988	-	21,090	(21,090)	121,988
119,757	-	-	-	119,757
114,109	-	-	-	114,109
298,069	18,175	372	-	316,616
26,349	86,241	-	(18,700)	93,890
<u>3,253,520</u>	<u>2,862,894</u>	<u>21,462</u>	<u>(39,790)</u>	<u>6,098,086</u>
686,949	2,590,131	-	-	3,277,080
835,447	-	-	-	835,447
408,747	-	-	-	408,747
195,672	-	-	-	195,672
116,781	-	-	-	116,781
<u>2,243,596</u>	<u>2,590,131</u>	<u>-</u>	<u>-</u>	<u>4,833,727</u>
644,356	322,410	22,631	(39,790)	949,607
<u>2,887,952</u>	<u>2,912,541</u>	<u>22,631</u>	<u>(39,790)</u>	<u>5,783,334</u>
365,568	(49,647)	(1,169)	-	314,752
<u>2,853,769</u>	<u>1,170,412</u>	<u>54,290</u>	<u>-</u>	<u>4,078,471</u>
<u>\$ 3,219,337</u>	<u>\$ 1,120,765</u>	<u>\$ 53,121</u>	<u>\$ -</u>	<u>\$ 4,393,223</u>

**MINNESOTA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS**

**CONSOLIDATING SCHEDULE OF CASH FLOWS  
FOR THE YEARS ENDED MARCH 31, 2011 AND 2010**

	2011			
	<u>General Fund</u>	<u>Education Fund</u>	<u>Chapters</u>	<u>Total</u>
Cash flows from operating activities:				
Increase (decrease) in net assets	\$ 84,373	\$ (239,724)	\$ 4,612	\$ (150,739)
Adjustments to reconcile change in net assets to net cash provided by (used) in operating activities:				
Depreciation and amortization	140,214	-	-	140,214
Gain on disposal of property and equipment	-	-	-	-
Gains in fair value of investments	(83,273)	(3,050)	-	(86,323)
(Increase) decrease in accounts receivable	(115,143)	143,620	-	28,477
(Increase) decrease in prepaid expenses	(16,949)	6,016	-	(10,933)
Increase (decrease) in accounts payable	19,844	(30,340)	-	(10,496)
Increase (decrease) in accruals	103,775	(53,015)	1,000	51,760
Decrease in deferred rent	(1,682)	-	-	(1,682)
Decrease in deferred compensation	(6,997)	-	-	(6,997)
Increase (decrease) in deferred revenue	<u>225,828</u>	<u>(11,360)</u>	<u>-</u>	<u>214,468</u>
Net cash provided by (used in) operating activities	<u>349,990</u>	<u>(187,853)</u>	<u>5,612</u>	<u>167,749</u>
Cash flows from investing activities:				
Purchase of investments	(3,305,924)	(1,310,363)	-	(4,616,287)
Sale or maturity of investments	3,309,204	1,319,095	-	4,628,299
Purchase of property and equipment	(82,981)	-	-	(82,981)
Proceeds from sale of equipment	-	-	-	-
(Increase) decrease in accounts receivable	<u>(84,409)</u>	<u>84,409</u>	<u>-</u>	<u>-</u>
Net cash provided by (used in) investing activities	<u>(164,110)</u>	<u>93,141</u>	<u>-</u>	<u>(70,969)</u>
Net increase (decrease) in cash and cash equivalents	185,880	(94,712)	5,612	96,780
Cash and cash equivalents - beginning of year	<u>1,374,795</u>	<u>126,808</u>	<u>57,121</u>	<u>1,558,724</u>
Cash and cash equivalents - end of year	<u>\$ 1,560,675</u>	<u>\$ 32,096</u>	<u>\$ 62,733</u>	<u>\$ 1,655,504</u>

2010

General Fund	Education Fund	Chapters	Total
\$ 365,568	\$ (49,647)	\$ (1,169)	\$ 314,752
85,574	25,123	-	110,697
(1,732)	-	-	(1,732)
(230,113)	(3,747)	-	(233,860)
(171,475)	189,971	-	18,496
(30,065)	33,341	-	3,276
(55,472)	23,549	-	(31,923)
20,698	2,772	-	23,470
(3,591)	-	-	(3,591)
(23,939)	-	-	(23,939)
188,573	(128,218)	-	60,355
<u>144,026</u>	<u>93,144</u>	<u>(1,169)</u>	<u>236,001</u>
(2,836,995)	(1,189,381)	-	(4,026,376)
2,783,533	1,186,075	-	3,969,608
(143,053)	-	-	(143,053)
1,732	-	-	1,732
-	-	-	-
<u>(194,783)</u>	<u>(3,306)</u>	<u>-</u>	<u>(198,089)</u>
(50,757)	89,838	(1,169)	37,912
<u>1,425,552</u>	<u>36,970</u>	<u>58,290</u>	<u>1,520,812</u>
<u>\$ 1,374,795</u>	<u>\$ 126,808</u>	<u>\$ 57,121</u>	<u>\$ 1,558,724</u>