

Consolidated Financial Statements

**Indiana CPA Society, Inc.
and Subsidiary**

June 30, 2016 and 2015

INDIANA CPA SOCIETY, INC. AND SUBSIDIARY

Consolidated Financial Statements with Supplementary Information
June 30, 2016 and 2015



INDEX

	PAGE
INDEPENDENT AUDITORS' REPORT	1 - 2
FINANCIAL STATEMENTS	
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities	4
Consolidated Statements of Cash Flows	5
Notes to Consolidated Financial Statements	6 - 16
SUPPLEMENTARY INFORMATION	
Independent Auditors' Report on Supplementary Information	17
Consolidating Statement of Financial Position as of June 30, 2016	18
Consolidating Statement of Financial Position as of June 30, 2015	19
Consolidating Statement of Activities for the year ended June 30, 2016	20
Consolidating Statement of Activities for the year ended June 30, 2015	21
Consolidating Statement of Functional Expenses for the year ended June 30, 2016	22
Consolidating Statement of Functional Expenses for the year ended June 30, 2015	23



Certified Public Accountants • Business Consultants

Independent Auditors' Report

Board of Directors
Indiana CPA Society, Inc. and Subsidiary
Indianapolis, Indiana

We have audited the accompanying consolidated financial statements of Indiana CPA Society, Inc. (a nonprofit organization) and its subsidiary, which comprise the consolidated statement of financial position as of June 30, 2016, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material aspects, the financial position of Indiana CPA Society, Inc. and its subsidiary as of June 30, 2016, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The consolidated financial statements of Indiana CPA Society, Inc. and its subsidiary as of June 30, 2015, were audited by other auditors whose report dated October 29, 2015, expressed an unmodified opinion on those consolidated statements.

A handwritten signature in cursive script that reads "Baden, Gage & Schroeder, LLC". The signature is written in black ink and is centered horizontally on the page.

BADEN, GAGE & SCHROEDER, LLC

Fort Wayne, Indiana
December 16, 2016

INDIANA CPA SOCIETY, INC. AND SUBSIDIARY



Consolidated Statements of Financial Position June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,397,451	\$ 2,359,116
Marketable securities - current	1,528,286	1,377,601
Accounts receivable	47,334	35,088
Inventory	26,936	31,737
Prepaid expenses	<u>91,983</u>	<u>77,174</u>
Total Current Assets	4,091,990	3,880,716
PROPERTY AND EQUIPMENT	966,113	931,469
LESS: Accumulated depreciation	<u>(789,961)</u>	<u>(732,627)</u>
Net Property and Equipment	176,152	198,842
OTHER ASSETS		
Marketable securities - noncurrent	<u>244,601</u>	<u>417,280</u>
TOTAL ASSETS	<u>\$ 4,512,743</u>	<u>\$ 4,496,838</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 406,712	\$ 441,520
Accounts payable - related party	7,847	5,022
Other accrued expenses	4,722	-
Deferred dues	2,343,423	2,268,135
Unearned revenue	<u>464,304</u>	<u>335,492</u>
Total Current Liabilities	3,227,008	3,050,169
NONCURRENT LIABILITIES		
Deferred rent	<u>27,869</u>	<u>38,004</u>
Total Liabilities	3,254,877	3,088,173
NET ASSETS		
Unrestricted net assets	<u>1,257,866</u>	<u>1,408,665</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,512,743</u>	<u>\$ 4,496,838</u>

See Notes to Consolidated Financial Statements.

INDIANA CPA SOCIETY, INC. AND SUBSIDIARY



Consolidated Statements of Activities Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Revenue		
Membership dues and fees	\$ 2,491,957	\$ 2,474,984
Professional development revenue	2,036,615	2,510,760
Peer review revenue	165,796	168,846
Investment income	106,669	194,125
Other income	<u>213,250</u>	<u>304,803</u>
Total Revenue	5,014,287	5,653,518
Operating Expenses		
Program Services:		
Professional development	2,004,032	2,299,505
Member services	712,543	846,668
Communications and outreach	933,023	871,477
Advocacy and self-regulation	<u>559,456</u>	<u>555,322</u>
Total Program Services	4,209,054	4,572,972
Management and general	<u>840,729</u>	<u>737,106</u>
Total Operating Expenses	<u>5,049,783</u>	<u>5,310,078</u>
Increase (decrease) in net assets before unrealized loss on marketable securities	(35,496)	343,440
Non-Operating Revenue		
Unrealized loss on marketable securities	<u>(115,303)</u>	<u>(155,585)</u>
CHANGE IN NET ASSETS	(150,799)	187,855
NET ASSETS, BEGINNING OF YEAR	<u>1,408,665</u>	<u>1,220,810</u>
NET ASSETS, END OF YEAR	<u>\$ 1,257,866</u>	<u>\$ 1,408,665</u>

See Notes to Consolidated Financial Statements.

INDIANA CPA SOCIETY, INC. AND SUBSIDIARY



Consolidated Statements of Cash Flows Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (150,799)	\$ 187,855
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By Operating Activities:		
Depreciation and amortization	56,584	74,165
Net realized gain on marketable securities	(66,988)	(143,841)
Net unrealized loss on marketable securities	115,303	155,585
(Increase) Decrease in Assets:		
Accounts receivable	(12,246)	11,058
Inventory	4,801	-
Prepaid expenses	(14,809)	44,159
Increase (Decrease) in Liabilities:		
Accounts payable and accrued expenses	(27,261)	104,784
Deferred dues	75,288	4,279
Unearned revenue	128,812	(124,384)
Deferred rent	<u>(10,135)</u>	<u>(7,333)</u>
Net Cash Provided By Operating Activities	98,550	306,327
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of marketable securities	(869,752)	(697,785)
Proceeds from sale of marketable securities	843,431	665,604
Purchase of property and equipment	<u>(33,894)</u>	<u>(93,302)</u>
Net Cash Used In Investing Activities	<u>(60,215)</u>	<u>(125,483)</u>
NET INCREASE IN CASH	38,335	180,844
CASH, BEGINNING OF YEAR	<u>2,359,116</u>	<u>2,178,272</u>
CASH, END OF YEAR	<u>\$ 2,397,451</u>	<u>\$ 2,359,116</u>

See Notes to Consolidated Financial Statements.

INDIANA CPA SOCIETY, INC. AND SUBSIDIARY



Notes to Consolidated Financial Statements June 30, 2016 and 2015

Note 1. Significant Accounting Policies

Organization and Nature of Business:

Indiana CPA Society, Inc. (Organization) was incorporated in 1915 as a not-for-profit professional organization. The Organization's mission is to enhance the professional success of its members while respecting 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 Organization's funding is from collections of dues from individuals and from revenues received for providing professional education to its members and other professionals. The Organization provides continuing professional education to its members through courses developed or sponsored by other organizations including the American Institute of Certified Public Accountants (AICPA). The Organization also develops courses with the assistance of college professors and other professionals. The Organization, 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 Organization's objectives. The Organization also hosts various events to inform non-members and promote the profession.

The Organization 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.

During the fiscal year ending June 30, 2014, the Indiana CPA Society, Inc. formed the CPA Center of Excellence, Inc., a for-profit subsidiary (Subsidiary), to develop, license and provide competency based educational courses and tools for the CPA profession.

The following is a summary of the accounting policies adopted by the Organization and Subsidiary, which have a significant effect on the consolidated financial statements.

Basis of Accounting:

The consolidated financial statements of Indiana CPA Society, Inc. and Subsidiary (Society) have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Principles of Consolidation:

The accompanying consolidated financial statements include the accounts of Indiana CPA Society, Inc. and Subsidiary. All significant inter-organization balances and transactions have been eliminated in consolidation.

Basis of Presentation:

The Society is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

INDIANA CPA SOCIETY, INC. AND SUBSIDIARY



Notes to Consolidated Financial Statements (Continued) June 30, 2016 and 2015

Note 1. Significant Accounting Policies (Continued)

Basis of Presentation (Continued):

Unrestricted Net Assets: Unrestricted net assets include expendable resources over which the Society's Board of Directors has discretionary control and are used to carry out the Society's operations in accordance with its bylaws.

Temporarily Restricted Net Assets: Temporarily restricted net assets include resources expendable only for those purposes specified by the donor or grantor. The restrictions are satisfied either by the passage of time or by actions of the Society. The Society did not have any temporarily restricted net assets as of June 30, 2016 and 2015.

Permanently Restricted Net Assets: Permanently restricted net assets include resources subject to donor-imposed stipulations that they be maintained permanently by the Society. The Society did not have any permanently restricted net assets as of June 30, 2016 and 2015.

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. Areas where significant estimates, that are sensitive to changes in the near term, are used in the accompanying consolidated financial statements include the allocation of expenses into their functional categories. Actual results could differ from those estimates.

Cash and cash equivalents:

The Society maintains its cash in bank deposit accounts which, at various times throughout the years ended June 30, 2016 and 2015, exceeded federally insured limits.

For purposes of the statements of cash flow, the Society considers all unrestricted investments with original maturities of three months or less to be cash equivalents.

Marketable Securities:

Marketable securities are stated at fair value in the consolidated statements of financial position. 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. See Note 4 for discussion of fair value measurements. Net realized and unrealized gains and losses on investments are reflected in the statements of activities.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

INDIANA CPA SOCIETY, INC. AND SUBSIDIARY



Notes to Consolidated Financial Statements (Continued) June 30, 2016 and 2015

Note 1. Significant Accounting Policies (Continued)

Marketable Securities (Continued):

Marketable securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of marketable securities will occur in the near term and that such changes could materially affect the amounts reported in the consolidated financial statements.

Accounts Receivable:

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts, if needed. The Society provides for losses on accounts receivable using the allowance method. The allowance is based on management experience, general economic conditions, and other circumstances that may affect the ability of customers and donors to meet their obligations. Management has determined that all accounts receivable are collectible, and there is no need for an allowance at June 30, 2016 and 2015.

Inventory:

Inventory consists of books and other publications held for resale. Inventory is stated at the lower of cost or market value. Cost is determined by the first-in, first-out (FIFO) method.

Property and Equipment:

Property and equipment is recorded at cost or, if received by donation, at fair value at the date of the gift. Items with a cost or value of \$5,000 or more and a useful life of one year or more are capitalized. The Subsidiary uses \$500 as their level of expenditure for determining whether or not to capitalize and depreciate property and equipment. Additions and improvements that significantly extend the useful life of an asset are capitalized. Costs incurred for repairs and maintenance are expensed as incurred. Depreciation is computed using the straight-line method based on estimated useful lives of the related assets. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. On an ongoing basis, the Society reviews long-lived assets for impairment whenever events or circumstances indicate that the carrying amounts may be overstated. As of June 30, 2016 and 2015, management believes that no impairment existed.

Deferred Dues

The Society bills its members for their annual dues each year in May. As the Society receives membership dues, it records the payment as deferred dues. The membership dues are recognized as revenue, as the dues are earned, throughout the Society's fiscal year.

INDIANA CPA SOCIETY, INC. AND SUBSIDIARY



Notes to Consolidated Financial Statements (Continued) June 30, 2016 and 2015

Note 1. Significant Accounting Policies (Continued)

Unearned Revenue

Throughout the year, the Society develops and offers various professional development courses, seminars and conferences to its members. The Society typically receives payments from its members in advance of these events. As the members enroll in the events, the Society records these receipts as unearned revenue. Professional development revenue is recognized as the individual events occur.

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.

Functional 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, 2016 and 2015 were \$20,903 and \$22,919 respectively.

Income Taxes:

The Organization is a tax-exempt not-for-profit organization under Section 501(c)(6) of the Internal Revenue Code. Therefore, no provision for income tax is included in these statements.

The accounting standard which provides guidance on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Society may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Organization and various positions related to the potential sources of unrelated business income.

The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for the years ended June 30, 2016 and 2015. The Organization files forms 990 in the U.S. federal jurisdiction and the State of Indiana. The Organization is generally no longer subject to examination by the Internal Revenue Service for years prior to 2013.

INDIANA CPA SOCIETY, INC. AND SUBSIDIARY



Notes to Consolidated Financial Statements (Continued)

June 30, 2016 and 2015

Note 1. Significant Accounting Policies (Continued)

Income Taxes (Continued):

The Organization 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 CPA Center of Excellence is a for-profit corporation. The Organization and the CPA Center of Excellence have net operating loss carryovers that offset any Unrelated Business Income Taxes and taxable income, respectively. Therefore, no provision has been made for federal and state taxes for the years ended June 30, 2016 and 2015.

Reclassification:

Certain accounts in the prior year consolidated financial statements have been reclassified for comparative purposes to conform with the presentation in the current year consolidated financial statements.

Subsequent Events:

The Society has evaluated events and transactions for possible recognition or disclosure through December 16, 2016, the date the consolidated financial statements were available to be issued.

Note 2. Marketable Securities

The amortized cost of securities and their approximate fair values are as follows:

	<u>Amortized Cost</u>	<u>Gross Unrealized Gain</u>	<u>Gross Unrealized Loss</u>	<u>Estimated Fair Value</u>
June 30, 2016:				
Managed cash funds	\$ 24,260	\$ -	\$ -	\$ 24,260
Certificates of deposit	170,126	1,924	293	171,757
Corporate bonds	78,889	2,462	-	81,351
Municipal bonds	40,350	808	16	41,142
U.S. Treasury Notes	25,693	767	-	26,460
Common stocks	317,118	85,213	15,749	386,582
Mutual funds	<u>1,041,182</u>	<u>17,253</u>	<u>17,100</u>	<u>1,041,335</u>
	<u>\$ 1,697,618</u>	<u>\$ 108,427</u>	<u>\$ 33,158</u>	<u>\$ 1,772,887</u>
June 30, 2015:				
Managed cash funds	\$ 12,853	\$ -	\$ -	\$ 12,853
Certificates of deposit	120,337	786	364	120,759
Corporate bonds	233,075	1,281	4,337	230,019
Municipal bonds	66,616	579	694	66,501
Common stocks	350,687	151,727	5,582	496,832
Exchange traded funds	14,560	-	2,311	12,249
Mutual funds	<u>807,927</u>	<u>53,118</u>	<u>5,377</u>	<u>855,668</u>
	<u>\$ 1,606,055</u>	<u>\$ 207,491</u>	<u>\$ 18,665</u>	<u>\$ 1,794,881</u>

INDIANA CPA SOCIETY, INC. AND SUBSIDIARY



Notes to Consolidated Financial Statements (Continued) June 30, 2016 and 2015

Note 2. Marketable Securities (Continued)

The following schedule summarizes the investment return that is reported as investment income in the Statements of Activities for the years end June 30:

	<u>2016</u>	<u>2015</u>
Interest income	\$ 11,134	\$ 7,575
Dividend income	28,547	42,709
Realized gain on marketable securities	<u>66,988</u>	<u>143,841</u>
Totals	<u>\$ 106,669</u>	<u>\$ 194,125</u>

Note 3. Property and Equipment

Property and equipment consisted of the following at June 30:

	<u>Useful Lives</u>	<u>2016</u>	<u>2015</u>
Automobile	5 years	\$ 31,527	\$ 31,527
Computer equipment	3 years	360,044	349,281
Furniture and equipment	3-10 years	371,985	354,104
Intangible assets	15 years	51,090	45,090
Leasehold improvements	7-11 years	<u>151,467</u>	<u>151,467</u>
		966,113	931,469
Less: Accumulated depreciation and amortization		<u>(789,961)</u>	<u>(732,627)</u>
		<u>\$ 176,152</u>	<u>\$ 198,842</u>

Depreciation and amortization expense totaled \$56,584 and \$74,165, for the years ended June 30, 2016 and 2015, respectively.

Note 4. Fair Value Measurements

Fair value is defined as 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. Accounting guidance establishes a fair value hierarchy, which prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the instrument's fair value measurement.

INDIANA CPA SOCIETY, INC. AND SUBSIDIARY



Notes to Consolidated Financial Statements (Continued) June 30, 2016 and 2015

Note 4. Fair Value Measurements (Continued)

The three levels of the fair value hierarchy are as follows:

Level 1: Fair value is based on quoted prices in active markets for identical assets or liabilities.

Level 2: Fair value is based on quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, and inputs that are observable in the market for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3: Fair value is based on prices or valuation techniques that require inputs that are both significant and unobservable in the market. Unobservable inputs reflect the Company's own assumptions about what market participants would use to price the asset or liability. Techniques may include internally developed pricing models, discounted cash flow methodologies, and may require significant management judgment.

Following is a description of the valuation techniques and inputs used for each major class of assets measured at fair value. There have been no changes in the methodologies used at June 30, 2016 and 2015.

Managed cash funds: Valued at amortized cost, which approximates fair value.

Certificates of deposit: Valued based on yields currently available on comparable certificates of deposit.

Corporate bonds: Valued based on yields currently available on comparable securities of issuers with similar credit ratings.

Municipal bonds: Estimated using pricing models that vary by asset class and incorporate available trade, bid, and other market information and, for structured securities, cash flow and performance data. Examples of such instruments include obligations of states and political subdivisions.

U.S. Treasury notes: Valued by pricing service using observable market data such as reported sales of similar securities, broker quotes, yields, bids, offers and other reference data.

Common stocks: Valued at the closing price reported in the active market in which the individual securities are traded.

Mutual funds and exchange traded funds: Valued at the quoted market prices, which represent the net asset value (NAV) of shares held at year end.

INDIANA CPA SOCIETY, INC. AND SUBSIDIARY



Notes to Consolidated Financial Statements (Continued) June 30, 2016 and 2015

Note 4. Fair Value Measurements (Continued)

The following tables set forth by level, within the fair value hierarchy, the Society's assets measured at fair value on a recurring basis as of June 30, 2016 and 2015.

	Assets at Fair Value as of June 30, 2016			
	Level 1	Level 2	Level 3	Total
Managed cash funds	\$ 24,260	\$ -	\$ -	\$ 24,260
Certificates of deposit	-	171,757	-	171,757
Corporate bonds	-	81,351	-	81,351
Municipal bonds	-	41,142	-	41,142
U.S. Treasury notes	-	26,460	-	26,460
Common stocks				
Consumer goods	108,616	-	-	108,616
Energy	28,779	-	-	28,779
Financial	66,061	-	-	66,061
Health care	57,144	-	-	57,144
Industrial goods	47,108	-	-	47,108
Information technology	73,793	-	-	73,793
Telecommunication	5,081	-	-	5,081
Total common stocks	386,582	-	-	386,582
Mutual funds				
Diversified emerging markets	35,977	-	-	35,977
Foreign large blend	43,274	-	-	43,274
Foreign large growth	48,922	-	-	48,922
Intermediate term bond	275,618	-	-	275,618
Large growth	91,331	-	-	91,331
Mid-cap blend	59,264	-	-	59,264
Mid-cap growth	110,899	-	-	110,899
Real estate	14,524	-	-	14,524
Short-term bond	275,630	-	-	275,630
Small growth	55,041	-	-	55,041
Small value	30,855	-	-	30,855
Total mutual funds	1,041,335	-	-	1,041,335
Total assets at fair value	\$ 1,452,177	\$ 320,710	\$ -	\$ 1,772,887

INDIANA CPA SOCIETY, INC. AND SUBSIDIARY



Notes to Consolidated Financial Statements (Continued)
June 30, 2016 and 2015

Note 4. Fair Value Measurements (Continued)

	Assets at Fair Value as of June 30, 2015			
	Level 1	Level 2	Level 3	Total
Managed cash funds	\$ 12,853	\$ -	\$ -	\$ 12,853
Certificates of deposit	-	120,759	-	120,759
Corporate bonds	-	230,019	-	230,019
Municipal bonds	-	66,501	-	66,501
Common stocks				
Basic materials	8,034	-	-	8,034
Consumer goods	120,434	-	-	120,434
Energy	31,869	-	-	31,869
Financial	79,537	-	-	79,537
Health care	82,994	-	-	82,994
Industrial goods	29,043	-	-	29,043
Information technology	111,789	-	-	111,789
Services	28,890	-	-	28,890
Telecommunication	4,242	-	-	4,242
Total common stocks	496,832	-	-	496,832
Exchange traded funds				
Real estate	12,249	-	-	12,249
Mutual funds				
Diversified emerging markets	46,171	-	-	46,171
Foreign large blend	54,575	-	-	54,575
Foreign large growth	52,388	-	-	52,388
Intermediate term bond	152,134	-	-	152,134
Large blend	22,219	-	-	22,219
Large growth	76,988	-	-	76,988
Short-term bond	153,825	-	-	153,825
Small blend	83,704	-	-	83,704
Small growth	108,118	-	-	108,118
Small value	105,546	-	-	105,546
Total mutual funds	855,668	-	-	855,668
Total assets at fair value	\$ 1,377,602	\$ 417,279	\$ -	\$ 1,794,881

INDIANA CPA SOCIETY, INC. AND SUBSIDIARY



Notes to Consolidated Financial Statements (Continued) June 30, 2016 and 2015

Note 5. Line of Credit

The Society has a \$200,000 unsecured line of credit. The line is renewable annually and matures on November 30, 2016. Interest is payable monthly at prime less 0.5%, with a floor of 3.25% (3.25% at June 30, 2016 and 2015). There were no amounts outstanding at June 30, 2016 and 2015.

Note 6. Related Parties

The Society has two 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, 2016 and 2015, the Organization had a receivable/(payable) from/(to) the Foundation in the amount of \$2,054 and \$(702), respectively. As of June 30, 2016 and 2015, the Organization had a payable to PAC of \$2,479 and \$4,320, respectively. In addition, the Organization had accounts payable due to employees and Board Members in the amount of \$7,422 and \$0 as of June 30, 2016 and 2015, respectively.

Note 7. 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. The lessor may adjust the lease payments for the Society's pro-rata share of certain increases in the lessor's operating expenses.

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 Statements of Financial Position.

Future annual minimum lease payments for all leases as of June 30, 2016, are as follows:

2017	\$ 276,716
2018	276,716
2019	<u>69,179</u>
Total minimum lease payments	<u>\$ 622,611</u>

Total rent expense for the years ended June 30, 2016 and 2015 was \$266,581 and \$271,645, respectively.

INDIANA CPA SOCIETY, INC. AND SUBSIDIARY



Notes to Consolidated Financial Statements (Continued)
June 30, 2016 and 2015

Note 8. Retirement Plans

The Society maintains a defined contribution employee 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. For the years ended June 30, 2016 and 2015, the Society's profit sharing expense was \$123,698 and \$103,221, respectively.

The Society maintains a deferred compensation arrangement as described in Section 409A of the Internal Revenue Code for key management employees. Contributions to the plan are discretionary and must be approved by the Board of Directors. For the years ended June 30, 2016 and 2015, the Society's deferred compensation expense was \$24,584 and \$26,072, respectively.

Independent Auditors' Report on Supplementary Information

Board of Directors
Indiana CPA Society, Inc. and Subsidiary
Indianapolis, Indiana

We have audited the consolidated financial statements of Indiana CPA Society, Inc. and its subsidiary as of and for the year ended June 30, 2016 and our report thereon dated December 16, 2016, which expressed an unmodified opinion on those consolidated financial statements, appears on pages 1 and 2. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statements which appear on pages 18 to 23 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material aspects in relation to the consolidated financial statements as a whole.

Prior Period Supplementary Information

The consolidated financial statements of Indiana CPA Society, Inc. and its subsidiary as of June 30, 2015, were audited by other auditors whose report dated October 29, 2015, expressed an unmodified opinion on those consolidated statements and consolidating information.



BADEN, GAGE & SCHROEDER, LLC

Fort Wayne, Indiana
December 16, 2016

INDIANA CPA SOCIETY, INC. AND SUBSIDIARY



Consolidating Statement of Financial Position June 30, 2016

	<u>IN CPA Society</u>	<u>CPA CoE</u>	<u>Eliminations</u>	<u>Total</u>
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 2,394,844	\$ 2,607	\$ -	\$ 2,397,451
Marketable securities - current	1,528,286	-	-	1,528,286
Accounts receivable	174,574	210	(127,450)	47,334
Inventory	26,936	-	-	26,936
Prepaid expenses	<u>86,920</u>	<u>5,063</u>	<u>-</u>	<u>91,983</u>
Total Current Assets	4,211,560	7,880	(127,450)	4,091,990
PROPERTY AND EQUIPMENT	921,111	45,002	-	966,113
LESS: Accumulated depreciation	<u>(766,197)</u>	<u>(23,764)</u>	<u>-</u>	<u>(789,961)</u>
Net Property and Equipment	154,914	21,238	-	176,152
OTHER ASSETS				
Marketable securities - noncurrent	<u>244,601</u>	<u>-</u>	<u>-</u>	<u>244,601</u>
TOTAL ASSETS	<u>\$ 4,611,075</u>	<u>\$ 29,118</u>	<u>\$ (127,450)</u>	<u>\$ 4,512,743</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable	\$ 404,894	\$ 129,268	\$ (127,450)	\$ 406,712
Accounts payable - related party	7,847	-	-	7,847
Other accrued expenses	2,321	2,401	-	4,722
Deferred dues	2,339,923	3,500	-	2,343,423
Unearned revenue	<u>464,064</u>	<u>240</u>	<u>-</u>	<u>464,304</u>
Total Current Liabilities	3,219,049	135,409	(127,450)	3,227,008
NONCURRENT LIABILITIES				
Deferred rent	<u>27,869</u>	<u>-</u>	<u>-</u>	<u>27,869</u>
Total Liabilities	3,246,918	135,409	(127,450)	3,254,877
NET ASSETS				
Unrestricted net assets	<u>1,364,157</u>	<u>(106,291)</u>	<u>-</u>	<u>1,257,866</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,611,075</u>	<u>\$ 29,118</u>	<u>\$ (127,450)</u>	<u>\$ 4,512,743</u>

See Independent Auditors' Report on Supplementary Information on Page 17.

INDIANA CPA SOCIETY, INC. AND SUBSIDIARY



Consolidating Statement of Financial Position June 30, 2015

	<u>IN CPA Society</u>	<u>CPA CoE</u>	<u>Eliminations</u>	<u>Total</u>
<u>ASSETS</u>				
CURRENT ASSETS				
Cash and cash equivalents	\$ 2,358,961	\$ 155	\$ -	\$ 2,359,116
Marketable securities - current	1,377,601	-	-	1,377,601
Accounts receivable	98,469	-	(63,381)	35,088
Inventory	31,737	-	-	31,737
Prepaid expenses	73,174	4,000	-	77,174
	<u>3,939,942</u>	<u>4,155</u>	<u>(63,381)</u>	<u>3,880,716</u>
Total Current Assets				
PROPERTY AND EQUIPMENT	892,467	39,002	-	931,469
LESS: Accumulated depreciation	<u>(720,587)</u>	<u>(12,040)</u>	<u>-</u>	<u>(732,627)</u>
Net Property and Equipment	171,880	26,962	-	198,842
OTHER ASSETS				
Marketable securities - noncurrent	<u>417,280</u>	<u>-</u>	<u>-</u>	<u>417,280</u>
TOTAL ASSETS	<u>\$ 4,529,102</u>	<u>\$ 31,117</u>	<u>\$ (63,381)</u>	<u>\$ 4,496,838</u>
<u>LIABILITIES AND NET ASSETS</u>				
CURRENT LIABILITIES				
Accounts payable	\$ 441,519	\$ 63,382	\$ (63,381)	\$ 441,520
Accounts payable - related party	5,022	-	-	5,022
Deferred dues	2,268,135	-	-	2,268,135
Unearned revenue	335,492	-	-	335,492
	<u>3,050,168</u>	<u>63,382</u>	<u>(63,381)</u>	<u>3,050,169</u>
Total Current Liabilities				
NONCURRENT LIABILITIES				
Deferred rent	<u>38,004</u>	<u>-</u>	<u>-</u>	<u>38,004</u>
Total Liabilities	3,088,172	63,382	(63,381)	3,088,173
NET ASSETS				
Unrestricted net assets	<u>1,440,930</u>	<u>(32,265)</u>	<u>-</u>	<u>1,408,665</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,529,102</u>	<u>\$ 31,117</u>	<u>\$ (63,381)</u>	<u>\$ 4,496,838</u>

See Independent Auditors' Report on Supplementary Information on Page 17.

INDIANA CPA SOCIETY, INC. AND SUBSIDIARY



Consolidating Statement of Activities Year Ended June 30, 2016

	<u>IN CPA Society</u>	<u>CPA CoE</u>	<u>Eliminations</u>	<u>Total</u>
Revenue				
Membership dues and fees	\$ 2,489,787	\$ 23,170	\$ (21,000)	\$ 2,491,957
Professional development revenue	2,016,476	20,139	-	2,036,615
Peer review revenue	165,796	-	-	165,796
Investment revenue	106,669	-	-	106,669
Other income	<u>225,923</u>	<u>6,792</u>	<u>(19,465)</u>	<u>213,250</u>
Total Revenue	5,004,651	50,101	(40,465)	5,014,287
Operating Expenses				
Program Services:				
Professional development	2,004,032	-	-	2,004,032
Member services	735,008	-	(22,465)	712,543
Communications and outreach	933,023	-	-	933,023
Advocacy and self-regulation	<u>559,456</u>	<u>-</u>	<u>-</u>	<u>559,456</u>
Total Program Services	4,231,519	-	(22,465)	4,209,054
Management and general	<u>734,602</u>	<u>124,127</u>	<u>(18,000)</u>	<u>840,729</u>
Total Operating Expenses	<u>4,966,121</u>	<u>124,127</u>	<u>(40,465)</u>	<u>5,049,783</u>
Increase (decrease) in net assets before unrealized loss on marketable securities	38,530	(74,026)	-	(35,496)
Non-Operating Revenue				
Unrealized loss on marketable securities	<u>(115,303)</u>	<u>-</u>	<u>-</u>	<u>(115,303)</u>
CHANGE IN NET ASSETS	(76,773)	(74,026)	-	(150,799)
NET ASSETS, BEGINNING OF YEAR	<u>1,440,930</u>	<u>(32,265)</u>	<u>-</u>	<u>1,408,665</u>
NET ASSETS, END OF YEAR	<u>\$ 1,364,157</u>	<u>\$ (106,291)</u>	<u>\$ -</u>	<u>\$ 1,257,866</u>

See Independent Auditors' Report on Supplementary Information on Page 17.

INDIANA CPA SOCIETY, INC. AND SUBSIDIARY



Consolidating Statement of Activities Year Ended June 30, 2015

	<u>IN CPA Society</u>	<u>CPA CoE</u>	<u>Eliminations</u>	<u>Total</u>
Revenue				
Membership dues and fees	\$ 2,474,984	\$ 21,000	\$ (21,000)	\$ 2,474,984
Professional development revenue	2,510,760	13,179	(13,179)	2,510,760
Peer review revenue	168,846	-	-	168,846
Investment income	194,125	-	-	194,125
Other income	<u>324,633</u>	<u>7</u>	<u>(19,837)</u>	<u>304,803</u>
Total Revenue	5,673,348	34,186	(54,016)	5,653,518
Operating Expenses				
Program Services:				
Professional development	2,297,468	15,216	(13,179)	2,299,505
Member services	855,489	21,074	(29,895)	846,668
Communications and outreach	871,477	-	-	871,477
Advocacy and self-regulation	<u>555,322</u>	<u>-</u>	<u>-</u>	<u>555,322</u>
Total Program Services	4,579,756	36,290	(43,074)	4,572,972
Management and general	<u>727,940</u>	<u>29,003</u>	<u>(19,837)</u>	<u>737,106</u>
Total Operating Expenses	<u>5,307,696</u>	<u>65,293</u>	<u>(62,911)</u>	<u>5,310,078</u>
Increase (decrease) in net assets before unrealized loss on marketable securities	365,652	(31,107)	8,895	343,440
Non-Operating Revenue				
Unrealized loss on marketable securities	<u>(155,585)</u>	<u>-</u>	<u>-</u>	<u>(155,585)</u>
CHANGE IN NET ASSETS	210,067	(31,107)	8,895	187,855
NET ASSETS, BEGINNING OF YEAR	<u>1,230,863</u>	<u>(1,158)</u>	<u>(8,895)</u>	<u>1,220,810</u>
NET ASSETS, END OF YEAR	<u>\$ 1,440,930</u>	<u>\$ (32,265)</u>	<u>\$ -</u>	<u>\$ 1,408,665</u>

See Independent Auditors' Report on Supplementary Information on Page 17.

INDIANA CPA SOCIETY, INC. AND SUBSIDIARY



Consolidating Statement of Functional Expenses Year ended June 30, 2016

	<u>Professional Development</u>	<u>Member Services</u>	<u>Communi- cations and Outreach</u>	<u>Advocacy and Self Regulation</u>	<u>Total Program Services</u>	<u>Manage- ment and General</u>	<u>Total IN CPA Society Expenses</u>	<u>Total CPA CoE Expenses</u>	<u>Eliminations</u>	<u>Total</u>
Personnel	\$ 424,925	\$ 456,535	\$ 627,098	\$ 330,623	\$ 1,839,181	\$ 279,263	\$ 2,118,444	\$ -	\$ -	\$ 2,118,444
Occupancy and office operations	269,321	91,435	84,116	56,536	501,408	126,865	628,273	7,200	-	635,473
Insurance	15,979	4,794	4,794	3,196	28,763	3,194	31,957	-	-	31,957
Professional services	15,046	23,616	36,485	102,734	177,881	63,467	241,348	56,928	(22,465)	275,811
Postage and printing	91,986	54,168	58,616	21,929	226,699	1,802	228,501	535	-	229,036
Travel and member meetings	9,287	79,937	109,881	39,881	238,986	254,641	493,627	19,643	-	513,270
Course expense and member events	1,154,703	17,687	3,697	-	1,176,087	774	1,176,861	28,847	(18,000)	1,187,708
Grants, support, sponsorships	-	-	1,500	-	1,500	-	1,500	-	-	1,500
Expenses before depreciation	1,981,247	728,172	926,187	554,899	4,190,505	730,006	4,920,511	113,153	(40,465)	4,993,199
Depreciation	22,785	6,836	6,836	4,557	41,014	4,596	45,610	10,974	-	56,584
Total Operating Expenses	<u>\$ 2,004,032</u>	<u>\$ 735,008</u>	<u>\$ 933,023</u>	<u>\$ 559,456</u>	<u>\$ 4,231,519</u>	<u>\$ 734,602</u>	<u>\$ 4,966,121</u>	<u>\$ 124,127</u>	<u>\$ (40,465)</u>	<u>\$ 5,049,783</u>

See Independent Auditors' Report on Supplementary Information on Page 17.

INDIANA CPA SOCIETY, INC. AND SUBSIDIARY



Consolidating Statement of Functional Expenses Year ended June 30, 2015

	<u>Professional Development</u>	<u>Member Services</u>	<u>Communi- cations and Outreach</u>	<u>Advocacy and Self Regulation</u>	<u>Total Program Services</u>	<u>Manage- ment and General</u>	<u>Total IN CPA Society Expenses</u>	<u>Total CPA CoE Expenses</u>	<u>Eliminations</u>	<u>Total</u>
Personnel	\$ 423,051	\$ 447,122	\$ 507,250	\$ 316,323	\$ 1,693,746	\$ 252,692	\$1,946,438	\$ -	\$ -	\$ 1,946,438
Occupancy and office operations	294,121	106,739	91,926	62,140	554,926	140,923	695,849	4,360	-	700,209
Insurance	15,379	4,614	4,613	3,075	27,681	3,076	30,757	-	-	30,757
Professional services	29,407	64,130	43,416	104,341	241,294	83,853	325,147	24,643	(40,837)	308,953
Postage and printing	85,613	54,918	67,025	24,846	232,402	20,072	252,474	-	(8,895)	243,579
Travel and member meetings	4,729	137,241	131,698	35,361	309,029	213,782	522,811	-	-	522,811
Course expense and member events	1,412,741	30,996	1,820	2,750	1,448,307	6,650	1,454,957	27,388	(13,179)	1,469,166
Grants, support, sponsorships	-	-	14,000	-	14,000	-	14,000	-	-	14,000
Expenses before depreciation	2,265,041	845,760	861,748	548,836	4,521,385	721,048	5,242,433	56,391	(62,911)	5,235,913
Depreciation	32,427	9,729	9,729	6,486	58,371	6,892	65,263	8,902	-	74,165
Total Operating Expenses	<u>\$ 2,297,468</u>	<u>\$ 855,489</u>	<u>\$ 871,477</u>	<u>\$ 555,322</u>	<u>\$ 4,579,756</u>	<u>\$ 727,940</u>	<u>\$5,307,696</u>	<u>\$ 65,293</u>	<u>\$ (62,911)</u>	<u>\$ 5,310,078</u>

See Independent Auditors' Report on Supplementary Information on Page 17.