Financial Statements
April 30, 2019 and 2018

Colorado Society of Certified Public Accountants

Independent Auditor's Report

The Board of Directors
Colorado Society of Certified Public Accountants
Englewood, Colorado

Report on the Financial Statements
We have audited the accompanying financial statements of Colorado Society of Certified Public Accountants which comprise the statements of financial position as of April 30, 2019 and 2018, and the related statements of activities and cash flows for the years then ended, the statement of functional expenses for the year ended April 30, 2019, and the related notes to the financial statements.

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

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Colorado Society of Certified Public Accountants as of April 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Eide Bailly LLP

Denver, Colorado
July 24, 2019

	2019	2018
Assets		
Cash and cash equivalents	$ 277,861	$ 341,293
Accounts receivable, net	67,321	38,836
Prepaid expenses and other assets	62,717	118,268
Investments	2,536,582	2,467,016
Property and equipment, net	134,632	175,712
Total Assets	$ 3,079,113	$ 3,141,125
Liabilities and Net Assets		
Accounts payable	$ 131,169	$ 88,716
Accrued liabilities	177,403	163,979
Deferred revenue	167,553	137,855
Total Liabilities	476,125	390,550
Net Assets Without Donor Restrictions		
Undesignated	1,602,988	1,777,808
Designated by the Board for operating reserve	1,000,000	972,767
Total Net Assets Without Donor Restrictions	2,602,988	2,750,575
Total Liabilities and Net Assets	$ 3,079,113	$ 3,141,125

	2019	2018
Operating Revenue, Support, and Gains		
Membership dues	$ 1,819,975	$ 1,940,141
Member activities, events, and services	121,400	131,777
Continuing professional education	1,146,086	1,565,647
Peer review dues and fees	240,443	239,525
Advertising	41,610	35,975
Royalties and promotion	60,592	58,699
Net operating investment return	115,771	107,310
Other income	4,664	2,726
Total Operating Revenue, Support, and Gains	3,550,541	4,081,800
Expenses		
Program Services		
Member services	1,368,528	1,424,426
Continuing professional education	1,322,209	1,515,398
Peer review services	218,064	249,260
Total Program Services	2,908,801	3,189,084
Supporting Services		
General administrative	746,069	701,986
Total Expenses	3,654,870	3,891,070
Change in Net Assets before net non-operating investment return (loss)	(104,329)	190,730
Net non-operating investment return (loss)	(43,258)	129,084
Change in Net Assets Without Donor Restrictions	(147,587)	319,814
Net Assets Without Donor Restrictions, Beginning of Year	2,750,575	2,430,761
Net Assets Without Donor Restrictions, End of Year	$ 2,602,988	$ 2,750,575

	Program Services					
	Member Services	Continuing Professional Education	Peer Review	Total Program Services	General Administrative	Total
Labor and related expenses	$ 597,864	$ 271,599	$ 175,879	$ 1,045,342	$ 483,764	$ 1,529,106
Content fees and materials	2,295	423,783	-	426,078	-	426,078
Professional services	209,746	151,549	8,566	369,861	43,671	413,532
Events, travel, and meetings	183,978	174,102	4,757	362,837	18,701	381,538
Occupancy	112,855	103,441	9,204	225,500	62,216	287,716
Technology	106,009	50,919	12,424	169,352	61,658	231,010
Marketing and promotion	67,064	87,057	-	154,121	-	154,121
Office expenses	9,310	4,164	2,481	15,955	59,055	75,010
Depreciation and amortization	22,001	20,168	1,794	43,963	12,130	56,093
Other	13,982	33,576	2,221	49,779	1,478	51,257
Contributions	39,285	-	-	39,285	-	39,285
Insurance	4,139	1,851	738	6,728	3,396	10,124
Total expenses included in the expense section on the statement of activities	$ 1,368,528	$ 1,322,209	$ 218,064	$ 2,908,801	$ 746,069	$ 3,654,870

	2019	2018
Cash flows from operating activities:		
Membership dues receipts	$ 1,809,795	$ 1,267,150
Member activities, events, and services receipts	116,711	130,686
Continuing professional education receipts	1,188,191	1,563,344
Peer review receipts	213,411	233,360
Advertising receipts	43,190	44,765
Royalty and promotion receipts	59,510	58,512
Interest and dividends received	135,209	118,660
Miscellaneous receipts	118	2,871
Payments for salaries, benefits, and taxes	(1,522,586)	(1,486,734)
Payments to vendors	(1,959,736)	(2,299,393)
Net cash from (used for) from operating activities	83,813	(366,779)
Cash flows from investing activities:		
Purchases of operating investments	(224,044)	(226,220)
Proceeds from sale of operating investments	91,774	214,755
Purchases of property and equipment	(14,975)	(168,389)
Proceeds from sale of property and equipment	-	2,991
Net cash (used for) investing activities	(147,245)	(176,863)
Net Change in Cash and Cash Equivalents	(63,432)	(543,642)
Cash and Cash Equivalents, Beginning of Year	341,293	884,935
Cash and Cash Equivalents, End of Year	$ 277,861	$ 341,293

Note 1 - Nature of the Organization

The Colorado Society of Certified Public Accountants (the "COCPA") is a nonprofit organization whose mission is to support its members in providing quality professional services to serve the public interest. The COCPA's revenues are derived primarily from dues that it charges its members, who are located primarily in the State of Colorado, and continuing professional education fees.

Description of Activities

The COCPA's activities include the following:

Member Services

Develops and provides services and benefits to members. Offers activities to assist members in understanding and adjusting to changes in the economic, political, social, and technological environment. Provides opportunities for members to participate in community, business, legislative, educational, and other activities where their expertise is needed. Includes networking, technical support, and legislative and regulatory representation and advocacy. Also includes programs and activities to recruit students into the profession and promote the profession to the public.

Continuing Professional Education

Provides educational instruction and materials on accounting, auditing, taxation, and other topics important to accounting professionals to assist in the continuing development of their professional expertise.

Peer Review Services

Provides services to members and nonmembers who are engaged in the practice of public accounting and are enrolled in an approved practice-monitoring program, which monitors professional performance to enforce professional standards.

General Administrative

Provides overall direction, general record keeping, business management, general public relations, board of directors' activities, and other.

Note 2 - Summary of Significant Accounting Policies

Recently Adopted Accounting Standards

As of May 1, 2018, the COCPA adopted the provisions of Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements for Not-For-Profit Entities.* The provisions of the ASU replace the existing three classes of net assets with two new classes (net assets without donor restrictions and net assets with donor restrictions) and enhance the disclosure requirements for the donor restricted endowment funds and underwater endowments. The ASU introduces new disclosure requirements to provide information about what is included or excluded from the intermediate measure of operations as well as disclosures to improve a financial statement user's ability to assess the entity's liquidity and exposure to risk. The ASU also introduces new reporting requirements to present expenses by both function and natural classification in a single location and to present investment returns on the statements of activities net of external and direct internal investment expenses.

The amendments should be applied on a retrospective basis; however, if presenting comparative financial statements, the ASU allows for the option to omit, for any periods presented before the period of adoption, the analysis of expenses by both natural classification and functional classification, and the disclosure about liquidity and availability of resources. The separate presentation of expenses by functional classification and expenses by natural classification is still required. The COCPA has elected not to present comparative information for these amendments. The COCPA has adopted this standard as management believes the standard improves the usefulness and understandability of the COCPA's financial reporting.

Cash and Cash Equivalents

The COCPA considers all cash and highly liquid financial instruments with original maturities of three months or less, and which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management determines the allowance for uncollectible accounts receivable based on historical experience and a review of subsequent collections. Balances that are outstanding after management has used reasonable collection efforts are written off. At April 30, 2019 and 2018, management believes the amount of uncollectible balances to be insignificant to the financial statements.

Investments

Investment purchases are initially recorded at cost. Thereafter, investments are reported at fair value in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Property and Equipment

Property and equipment additions over $1,000 are recorded at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from two to ten years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Expenditures for maintenance, repairs, and minor replacements that do not improve or extend the useful lives of the respective assets are expensed currently.

The COCPA reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended April 30, 2019 and 2018.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor- (or certain grantor-) imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

> *Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor- (or certain grantor-) imposed restrictions. The COCPA board may designate assets without donor restrictions for specific operational purposes from time to time. The board has designated, from net assets without donor restrictions, net assets for an operating reserve of $1,000,000 and $972,767 as of April 30, 2019 and 2018, respectively.
>
> *Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The COCPA had no net assets with donor restrictions as of April 30, 2019 and 2018.

The COCPA reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Measure of Operations

The statements of activities report all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the COCPA's ongoing activities. Non-operating activities are limited to resources that generate return from investments, endowment contributions, financing costs, and other activities considered to be of a more unusual or nonrecurring nature.

Revenue Recognition

Revenue is recognized when earned. Membership dues are recognized ratably over the term of the membership period. Continuing professional education fees are recognized in the period in which the course is given. Peer review administrative fees are billed and recognized as revenue during the administrative year to which they apply. Other revenue is recognized when earned. As of April 30, 2019 and 2018, the COCPA recorded deferred revenue, which represents the portion of revenue collected during the fiscal year that applies to the subsequent year's activity.

Contributed Services

Contributed services are recorded if they create or enhance nonfinancial assets or require specialized skills that are provided by an individual possessing those skills and would typically need to be purchased if not provided by donation. No significant contributed services were received during the years ended April 30, 2019 and 2018. A significant portion of the COCPA's functions, which are conducted by unpaid volunteers, is not reflected in the accompanying financial statements because it does not meet the criteria for recognition by generally accepted accounting principles.

Advertising Costs

The COCPA uses advertising to promote its programs. Advertising costs, including professional advertising services provided by a major vendor, are expensed as incurred and totaled $213,570 and $200,795 for continuing professional education and $139,150 and $130,656 for member services, for the years ended April 30, 2019 and 2018, respectively.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. The expenses that are allocated include: labor and related expenses, events, travel, and meetings, office and insurance, which are allocated on the basis of time and effort; as well as occupancy, depreciation and amortization, which are allocated on a square-footage basis. Technology expenses related to the revenue-generating activities are allocated based on revenue, while other technology expenses are allocated based on time and effort.

Income Taxes

The COCPA is exempt from federal income taxes under Section 501(c)(6) of the Internal Revenue Code. However, income from activities not directly related to the COCPA's tax-exempt purpose is subject to taxation as unrelated business income. The COCPA's unrelated business income primarily represents advertising revenue associated with the COCPA's *NewsAccount* publication, website, and real property rental. The COCPA did not incur any material income tax expense from these unrelated activities for the years ended April 30, 2019 and 2018.

Management believes that the COCPA has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The COCPA would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred. The COCPA's Form 990, 990-T's and other income tax filings required by state, local, or non-U.S. tax authorities are no longer subject to tax examination for years before 2016.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

Financial Instruments and Credit Risk

The COCPA manages deposit concentration risk by placing cash and money market accounts with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the COCPA has not experienced losses in any of these accounts. Credit risk associated with accounts receivable is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from members. Investments are managed by diversified investment managers who are selected by the Investment Committee of the Board of Directors and whose performance is monitored by COCPA management and the Investment Committee. Although the fair values of investments are subject to fluctuation on a year-to-year basis, management and the Investment Committee believe that the investment policies and guidelines are prudent for the long-term welfare of the COCPA.

Concentration Risk

Significant customers and vendors are those that account for greater than 10% of COCPA's revenues and expenses.

The COCPA has one major vendor that supports the website and association management system software as a service subscription and supplies marketing, communications, and IT consulting that accounted for approximately $506,676 and $490,777 or 14% and 13% of total expenses for the years ended April 30, 2019 and 2018. As of April 30, 2019 and 2018, $5,153 and $9,652, respectively, was payable to this vendor.

This vendor provides services to the COCPA which can be replaced by alternative vendors should the need arise; however, the COCPA expects to maintain this relationship with the vendor.

Subsequent Events

The COCPA has evaluated subsequent events through July 24, 2019, the date at which the financial statements were available to be issued.

Note 3 - Liquidity and Availability

The COCPA's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

Cash and cash equivalents	$ 277,861
Accounts receivable, net	67,321
Operating investments appropriated for distribution	117,450
	$ 462,632

The COCPA's financial assets have been reduced by amounts not available for general use because of the COCPA's investment distribution policy, which limits investment return for operations to 5% of the average of the fair values of the investment assets at the end of the previous three calendar years. Amounts in excess of this 5% limit may be expended at the resolution of the Board of Directors. In addition, the Board of Directors designated $1,000,000 for operating reserves as of April 30, 2019. Although the COCPA does not intend to spend from this board-designated fund (other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation), these amounts could be made available if necessary. To help manage unanticipated liquidity needs, the COCPA has committed a line of credit in the amount of $225,000 upon which it could draw (Note 7).

Note 4 - Fair Value Measurements and Disclosures

Certain assets are reported at fair value in the financial statements. Fair value is the price that would be received to sell an asset in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique.

Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset based on the best information available.

A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets that the COCPA can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. These include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset. In these situations, inputs are developed using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to the entire measurement requires judgment, taking into account factors specific to the asset. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the COCPA's assessment of the quality, risk, or liquidity profile of the asset.

All of the COCPA's investment assets are classified within Level 1 because they are composed of mutual funds with readily determinable fair values based on daily redemption values. The following table presents assets measured at fair value on a recurring basis at April 30, 2019 and 2018:

	2019	2018
Level 1 Investments:		
Mutual funds:		
Bond funds	$ 779,622	$ 745,094
Domestic equities	940,280	910,503
International equities	619,870	564,812
Real estate funds	132,002	123,018
Commodities	64,347	62,038
Other	461	61,551
	$ 2,536,582	$ 2,467,016

Note 5 - Property and Equipment

Property and equipment consisted of the following as of April 30, 2019 and 2018:

	2019	2018
Furniture and equipment	$ 259,797	$ 252,177
Computer hardware and software	279,156	443,500
Leasehold improvements	10,285	10,285
	549,238	705,962
Less: accumulated depreciation and amortization	(414,606)	(530,250)
	$ 134,632	$ 175,712

Note 6 - Deferred Revenue

Deferred revenue consisted of the following as of April 30, 2019 and 2018:

	2019	2018
Membership dues	$ 78,590	$ 88,770
Continuing professional education fees	80,517	40,780
Other	8,446	8,305
	$ 167,553	$ 137,855

Note 7 - Line of Credit

Effective April 2, 2019, the COCPA renewed its line of credit agreement with a financial institution for $225,000 that matures on April 2, 2020. There were no borrowings against the line during the year ended April 30, 2019. The line bears interest at the *Wall Street Journal* Prime lending rate plus 1%, which was 6.5% as of April 30, 2019. Under terms of the line of credit, the COCPA is required to maintain a minimum liquidity ratio and net asset balance.

Note 8 - Profit Sharing/401(k) Plan and Trust

Effective May 1, 1985, the COCPA established, as a separate accounting entity, the Colorado Society of CPAs Profit Sharing/401(k) Plan and Trust for the benefit of eligible COCPA employees. Both full-time and part-time employees of at least age 21 are eligible immediately upon commencing employment. Traditional and Roth 401(k) options are available. Under the Roth 401(k) option, participants may make post-tax elective deferrals in addition to, or instead of, pre-tax elective deferrals under the traditional 401(k) option. A participant's combined elective deferrals cannot exceed the IRS limits for traditional 401(k) deferrals. The COCPA has adopted Safe Harbor 401(k) provisions under which it matches participant contributions up to 5% of compensation. The COCPA's contribution expense for the years ended April 30, 2019 and 2018 was $52,995 and $54,879, respectively. Neither the assets nor the liabilities of the profit sharing/401(k) plan and trust are reflected in these financial statements.

Note 9 - Commitments

The COCPA entered into a lease amendment for its office facilities in June 2017, relinquishing a portion of the premises and extending the lease term on the remaining premises through March 31, 2025. In addition, the landlord covered costs of improvements to the premises completed in September 2017. The lease includes rent abatement which is amortized as a reduction to rent expense over the term of the lease. Rent expense was $285,330 and $257,808 for the years ended April 30, 2019 and 2018, respectively, which includes the COCPA's share of annual operating costs. The COCPA also has entered into lease agreements for an automobile and postage equipment.

Future minimum lease commitments as of April 30, 2019, are as follows:

Year Ending April 30,	
2020	$ 284,595
2021	290,137
2022	295,783
2023	301,158
2024	306,272
Thereafter	285,837
	$ 1,763,782

During the year ended April 30, 2019, the COCPA entered into a subscription agreement for accounting cloud services with a vendor, expiring December 1, 2023. Annual payments total $18,416, with remaining commitment under the agreement of $84,405. As of April 30, 2019, $10,742 of the remaining commitment was included in prepaid expenses and other assets.

The COCPA, at various times throughout the year, is committed to various contracts for payments to authors and instructors of its continuing education programs and technical reviewers for its peer review program. Terms and conditions vary on a contract-by-contract basis.

Note 10 - Related Party Transactions

The COCPA is affiliated with The Educational Foundation of the Colorado Society of Certified Public Accountants (the "Foundation"), the primary purpose of which is to promote accounting education in Colorado and support individuals and institutions engaged in its study and teaching. The Foundation is a separately incorporated organization under Internal Revenue Code Section 501(c)(3) and is not controlled by the COCPA. The COCPA performs certain administrative, program support, and fundraising services for the benefit of the Foundation, and it donates office space and general overhead for the Foundation's use. The value of donated goods and services totaled $30,785 and $36,050 respectively, for the years ended April 30, 2019 and 2018. The COCPA also made cash contributions to the Foundation of $5,000 during the years ended April 30, 2019 and 2018.

Under the guidance of the Board of Directors, the COCPA also administers the Colorado Society of CPAs Profit Sharing/401(k) Plan and Trust, which was established for the benefit of the COCPA's employees.

Additionally, during the year ended April 30, 2018, the COCPA paid $1,400 to Board members and Board members' firms for services to the COCPA in the customary course of business. No such payments were made during the year ended April 30, 2019.