

**WASHINGTON SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS**

Audited Consolidated Financial Statements

May 31, 2015 and 2014

**WASHINGTON SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS**

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## Independent Auditor's Report

To the Board of Directors and Trustees  
Washington Society of Certified Public Accountants,  
Washington CPA Foundation and Washington CPA/PAC  
Bellevue, Washington

### **Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of Washington Society of Certified Public Accountants (the "WSCPA"), the Washington CPA Foundation (the "Foundation"), and the Washington CPA/PAC (the "PAC") (collectively, the "Society") which comprise the consolidated statements of financial position as of May 31, 2015 and 2014, and the related consolidated statements of activities and cash flows for the years then ended, 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 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 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 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 consolidated financial statements are free of 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 Society'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 Society'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.

***Auditor's Responsibility (Continued)***

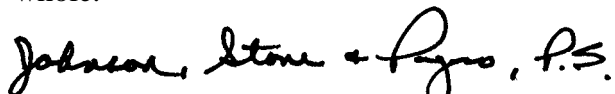
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Washington Society of Certified Public Accountants and related entities as of May 31, 2015 and 2014, 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.

***Other Matter***

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidated schedules of financial position as of May 31, 2015 and activities for the year ended May 31, 2015 on pages 16 and 17 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 financial statements. The 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 information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.



JOHNSON, STONE & PAGANO, P.S.

September 22, 2015

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

**WASHINGTON SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

May 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 761,256	\$ 914,947
Investments	5,233,409	4,471,797
Accounts receivable	68,294	32,175
Prepaid expenses	<u>159,385</u>	<u>146,930</u>
<b>Total Current Assets</b>	6,222,344	5,565,849
Endowment investments	131,092	125,987
Property and equipment, net	<u>890,618</u>	<u>1,005,770</u>
<b>TOTAL ASSETS</b>	<u>\$ 7,244,054</u>	<u>\$ 6,697,606</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 771,562	\$ 677,006
Deferred revenue - continuing professional education programs	466,710	366,969
Deferred revenue - membership dues	1,324,675	1,141,670
Deferred revenue - other	<u>6,091</u>	<u>3,280</u>
<b>Total Current Liabilities</b>	2,569,038	2,188,925
<b>NET ASSETS</b>		
Unrestricted - Society	3,915,733	3,713,964
Unrestricted - Foundation	<u>463,548</u>	<u>445,690</u>
<b>Total Unrestricted Net Assets</b>	4,379,281	4,159,654
Temporarily restricted	195,735	249,027
Permanently restricted	<u>100,000</u>	<u>100,000</u>
<b>Total Net Assets</b>	<u>4,675,016</u>	<u>4,508,681</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 7,244,054</u>	<u>\$ 6,697,606</u>

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

WASHINGTON SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

CONSOLIDATED STATEMENTS OF ACTIVITIES

Years Ended May 31, 2015 and 2014

	2015				2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUES</b>								
Education programs	\$ 2,965,401			\$ 2,965,401	\$ 2,834,967			\$ 2,834,967
Membership dues	1,820,007			1,820,007	1,788,733			1,788,733
Peer review fees	208,212			208,212	191,524			191,524
Interest and dividend income	85,123	\$ 12		85,135	72,249	\$ 17		72,266
Networking events	63,639			63,639	69,299			69,299
Advertising	20,689			20,689	27,051			27,051
Contributions	101,033			101,033	70,541	11,201		81,742
Other	106,185			106,186	107,224			107,224
Net assets released from restrictions	58,409	(58,409)			6,900	(6,900)		
<b>Total Revenue</b>	<b>5,428,698</b>	<b>(58,397)</b>		<b>5,370,302</b>	<b>5,168,488</b>	<b>4,318</b>		<b>5,172,806</b>
<b>EXPENSES</b>								
Program services								
Education programs	2,765,284			2,765,284	2,725,183			2,725,183
Member services programs	1,089,120			1,089,121	981,413			981,413
Peer review expenses	182,096			182,096	155,272			155,272
Networking events	64,071			64,071	70,296			70,296
Scholarships, grants and education programs	64,000			64,000	69,216			69,216
PAC expenses	165,214			165,214	85,488			85,488
<b>Total Program Expenses</b>	<b>4,329,785</b>			<b>4,329,786</b>	<b>4,086,868</b>			<b>4,086,868</b>
General and administrative	1,074,397			1,074,397	1,151,746			1,151,746
<b>Total Expenses</b>	<b>5,404,182</b>			<b>5,404,183</b>	<b>5,238,614</b>			<b>5,238,614</b>
<b>Change in Net Assets Before Gain on Investments</b>	<b>24,516</b>	<b>(58,397)</b>		<b>(33,881)</b>	<b>(70,126)</b>	<b>4,318</b>		<b>(65,808)</b>
Gain on investments	195,111	5,105		200,216	257,261	10,082		267,343
<b>Change in Net Assets</b>	<b>219,627</b>	<b>(53,292)</b>		<b>166,335</b>	<b>187,135</b>	<b>14,400</b>		<b>201,535</b>
<b>Net Assets at Beginning of Year</b>	<b>4,159,654</b>	<b>249,027</b>	<b>\$ 100,000</b>	<b>4,508,681</b>	<b>3,972,519</b>	<b>234,627</b>	<b>\$ 100,000</b>	<b>4,307,146</b>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 4,379,281</b>	<b>\$ 195,735</b>	<b>\$ 100,000</b>	<b>\$ 4,675,016</b>	<b>\$ 4,159,654</b>	<b>\$ 249,027</b>	<b>\$ 100,000</b>	<b>\$ 4,508,681</b>

The accompanying notes are an integral part of these consolidated financial statements

**WASHINGTON SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

Years Ended May 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from education programs	\$ 3,057,553	\$ 2,706,519
Cash received from membership dues	2,003,012	1,507,512
Cash received from other sources	474,038	468,846
Cash paid to employees	(2,167,541)	(1,992,049)
Cash paid to vendors and others	(3,027,405)	(3,060,734)
Loss on disposal of assets	3,314	
Interest and dividends received	<u>85,135</u>	<u>72,267</u>
<b>Net Cash Flow Provided (Used) by Operating Activities</b>	428,106	(297,639)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	87	879,150
Purchase of investments	(566,588)	(453,843)
Purchases of property and equipment	<u>(15,296)</u>	<u>(205,625)</u>
<b>Net Cash Flow Provided (Used) by Investing Activities</b>	<u>(581,797)</u>	<u>219,682</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(153,691)	(77,957)
<b>Cash and Cash Equivalents at Beginning of Year</b>	<u>914,947</u>	<u>992,904</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 761,256</u>	<u>\$ 914,947</u>

The accompanying notes are an integral part of these consolidated financial statements



**WASHINGTON SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS**

**CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)**

Years Ended May 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<b>RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED (USED) BY FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 166,335	\$ 201,535
Adjustments to reconcile change in net assets to net cash flow provided (used) by operating activities		
Depreciation	127,134	111,000
Loss on disposition of computer equipment	3,314	
Gain on investments	(200,216)	(267,343)
Changes in operating assets and liabilities		
Accounts receivable	(36,119)	2,950
Prepaid expenses	(12,455)	(19,478)
Accounts payable and accrued expenses	94,556	99,308
Deferred revenue	285,557	(420,611)
Grants payable	<u>                    </u>	<u>(5,000)</u>
<b>NET CASH FLOW PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>\$ 428,106</u>	<u>\$ (297,639)</u>

The accompanying notes are an integral part of these consolidated financial statements

# WASHINGTON SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

May 31, 2015 and 2014

### NOTE 1 - ORGANIZATION

The Washington Society of Certified Public Accountants (the "WSCPAs") is a not-for-profit organization formed in 1904 to advance the accounting profession and assist individual members in their professional and educational development. The WSCPAs's membership and activities are concentrated primarily in Washington State.

The WSCPAs has 12 chapters whose primary purposes are to advance the accounting profession and assist individual members in their professional and educational development on a local level. Restructuring subsequent to year-end reduced the number of chapters to 10. The net assets and results of activities of these chapters are included in the accompanying consolidated financial statements.

The members of WSCPAs's Board of Directors are also the voting members of the Washington CPA Foundation (the "Foundation"). The Foundation's primary purpose is to enhance education and promote research in accounting and related fields.

The WSCPAs is affiliated with the Washington CPA/PAC (the "PAC") whose purpose is to contribute to Washington State political campaigns. The PAC committee members are approved by the Board of Directors of the WSCPAs.

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### *Principles of Consolidation*

The consolidated financial statements include the accounts of the WSCPAs (including the 12 chapters), the Foundation and the PAC. Collectively, these entities are called "the Society" in these consolidated financial statements. All significant inter-entity accounts and transactions have been eliminated in consolidation.

#### *Financial Statement Presentation*

The Society reports 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. The Society records contributions received as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions.

#### *Unrestricted Net Assets*

Unrestricted Society net assets consist of the following at May 31:

	<u>2015</u>	<u>2014</u>
Chapter use	\$ 91,318	\$ 91,958
Undesignated	<u>3,824,415</u>	<u>3,622,006</u>
Total Unrestricted Society Net Assets	\$ <u>3,915,733</u>	\$ <u>3,713,964</u>

# WASHINGTON SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

May 31, 2015 and 2014

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Unrestricted Net Assets (Continued)*

Unrestricted Foundation net assets at May 31, 2015 and 2014 are to be utilized solely to fund scholarships, grants, education programs and other Foundation activities. While no donor restriction exists on these funds, they can only be used in accordance with the mission of the Foundation.

#### *Temporarily Restricted Net Assets*

Temporarily restricted contributions are recorded as temporarily restricted support and are then reclassified to unrestricted net assets when the restrictions are met. Temporarily restricted net assets consist of the following at May 31:

	<u>2015</u>	<u>2014</u>
Roy Polley Scholarship Fund	\$ 42,565	\$ 43,965
George J. Waterman Memorial Scholarship Fund	31,092	25,987
Other scholarship funds	3,615	3,615
PAC activities	<u>118,463</u>	<u>175,460</u>
	<u>\$ 195,735</u>	<u>\$ 249,027</u>

#### *Permanently Restricted Net Assets*

Permanently restricted net assets consist of investments in mutual funds and equity securities, which are restricted in perpetuity to provide scholarships for students majoring in accounting at colleges and universities in Washington State. The income earned on investments is temporarily restricted for such scholarships.

#### *Revenue Recognition*

Dues are recognized as revenue in the applicable membership period. Registration payments for continuing professional education programs are recognized as revenue in the period in which the related program is held. Dues and registration payments received in advance are deferred.

#### *Donated Services*

Many volunteers donate significant amounts of time to the activities of the Society. The consolidated financial statements do not reflect the value of these donated services as the services do not require specialized skills (and would not otherwise be purchased) and, therefore, do not meet the requirements for recognition.

#### *Cash and Cash Equivalents*

Cash and cash equivalents consist of cash in a bank and money market funds (unless those money market funds are classified as investments). Most cash funds are held in interest bearing accounts. The Society maintains cash balances at financial institutions with insurance by the Federal Deposit Insurance Corporation ("FDIC"), with basic coverage up to \$250,000. Cash balances at a banking institution exceeded the limit as of May 31, 2014 by \$451,065. Investments held at a brokerage house also exceeded the Securities Investor Protection Corporation and cash limit by \$660,965, including \$400,000 held in cash for liquidity purposes.

# WASHINGTON SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

May 31, 2015 and 2014

### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### ***Investments***

Investments in equity securities with readily-determinable fair values and all investments in debt securities are measured at fair value in the consolidated statements of financial position. Fair value is defined as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The fair value measurement of the investments were determined using Level 1 observable market inputs (within the fair value hierarchy) consisting of quoted prices in active markets for identical assets. The Society's policy is to invest in money market accounts, certificates of deposit, equity securities, short and intermediate term debt, and bond and equity mutual funds, and as such are considered to be Level 1.

Unrealized gains and losses are included in the change in net assets in the accompanying consolidated statements of activities. Gains and losses on sales of investments are determined using the specific identification method.

#### ***Accounts Receivable***

Accounts receivable consist of unpaid advertising and continuing professional education fees. Accounts receivable are unsecured and do not bear interest. Management reviews accounts receivable, estimates the amount of uncollectible accounts and records a reserve for doubtful accounts (if required). Uncollectible accounts are written off against the reserve. No allowance for doubtful accounts was considered necessary by management at May 31, 2015, as no amounts more than 90 days old are considered uncollectible.

#### ***Property and Equipment***

Property and equipment are stated at cost. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. The capitalization policy threshold is \$1,000. Assets must have estimated useful lives of at least two years to be considered for capitalization. Depreciation expense was \$127,134 and \$111,000 for the years ended May 31, 2015 and 2014, respectively

#### ***Retirement Program***

The Society has a 401(k) retirement plan for the benefit of all eligible employees. Under the plan, the Society will match up to the first 4% of an employee's deferral. The match is vested immediately. For the years ended May 31, 2015 and 2014, the Society also contributed an additional 7% to the plan of the employee's annual gross salary. This is vested over a six-year period. The total expense recognized under the plan was \$150,015 in 2015 and \$143,458 in 2014.

# WASHINGTON SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

May 31, 2015 and 2014

### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### ***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 certain reported amounts and disclosures. Actual results could differ from the estimated amounts.

#### ***Functional Allocation of Expense***

The costs of providing program and supporting services have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among the program and supporting services based on time and other resources used.

#### ***Income Taxes***

The WSCPA is exempt from federal income taxes under Section 501(c)(6) of the Internal Revenue Code. The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The PAC is subject to tax on its net investment income under Section 527 of the Internal Revenue Code. No tax was due on net investment income for the years ended May 31, 2015 or 2014.

The Society evaluates its uncertain income tax positions, if any, and may record a liability for any unrecognized tax obligations resulting from positions taken or expected to be taken in an income tax return. Estimated interest and penalties related to unrecognized tax obligations, if any, are recorded as a component of income tax expense included in general and administrative expenses in the consolidated statements of activities. No liability has been recorded for uncertain tax positions, or related interest or penalties, as of May 31, 2015 or 2014. The tax years ended prior to May 31, 2012 are closed to examination.

#### ***Subsequent Events***

The management of the Society evaluated for subsequent events and transactions for potential recognition and disclosure through September 22, 2015, the date the financial statements were available to be issued.

**WASHINGTON SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

May 31, 2015 and 2014

**NOTE 3 - INVESTMENTS**

Investments consist of the following at May 31:

	<u>2015</u>	<u>2014</u>
Money market accounts	\$ 910,965	\$ 847,471
Equity mutual funds		
Real estate index funds	546,288	294,406
Value index funds	14,967	12,327
Growth index funds	872,063	611,047
Small cap index funds	428,535	274,024
Large cap index funds	<u>971,807</u>	<u>647,853</u>
Total Equity Mutual Funds	2,833,660	1,839,657
Fixed income mutual funds		
Corporate bond index funds	337,750	593,675
Preferred stock index funds	111,896	92,611
Treasury bill index funds	463,918	563,294
Intermediate term bond	698,614	419,470
Inflation protection security	<u>7,698</u>	<u>241,606</u>
Total Fixed Income Mutual Funds	<u>1,619,876</u>	<u>1,910,656</u>
Total Investments	\$ <u>5,364,501</u>	\$ <u>4,597,784</u>

These investments are reported in the consolidated statements of financial position at May 31 as follows:

	<u>2015</u>	<u>2014</u>
Investments	\$ 5,233,409	\$ 4,471,797
Endowment investments	<u>131,092</u>	<u>125,987</u>
Total Investments	\$ <u>5,364,501</u>	\$ <u>4,597,784</u>

**WASHINGTON SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

May 31, 2015 and 2014

**NOTE 4 - PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at May 31:

	<u>2015</u>	<u>2014</u>
Land	\$ 571,500	\$ 571,500
Buildings and improvements	1,685,045	1,703,938
Furniture and equipment	317,388	471,538
Computer equipment	<u>382,762</u>	<u>466,891</u>
	2,956,695	3,213,867
Less accumulated depreciation	<u>2,066,077</u>	<u>2,208,097</u>
Property and Equipment, Net	\$ <u>890,618</u>	\$ <u>1,005,770</u>

**NOTE 5 - RELATED PARTY TRANSACTIONS**

The WSCPA occasionally hires members of its Board of Directors or companies owned by Board members to be instructors for continuing professional education courses and other services. For the year ending May 31, 2015 and 2014, fees paid were not material. The fees are included in continuing professional education program expenses or other appropriate category in the consolidated statements of activities.

**NOTE 6 - ENDOWMENT**

The Foundation has a \$100,000 endowment used to establish the George J. Waterman Memorial Scholarship Fund. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including any funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

**WASHINGTON SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

May 31, 2015 and 2014

**NOTE 6 - ENDOWMENT** (Continued)

***Interpretation of Relevant Law***

The Board of Trustees of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Foundation and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

Endowment net assets consist of the George J. Waterman Memorial Scholarship Fund. Changes in endowment net assets are as follows for the years ended May 31, 2015 and 2014:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>May 31, 2015:</u>				
Endowment net assets at beginning of year		\$ 25,987	\$ 100,000	\$ 125,987
Investment return				
Investment income	\$ 2,487			2,487
Net appreciation (realized and unrealized)	<u>1,022</u>	<u>5,105</u>	_____	<u>6,127</u>
Total Investment Return	3,509	5,105	_____	8,614
Appropriation of endowment assets for expenditure	(3,000)			(3,000)
Investment fees	<u>(509)</u>	_____	_____	<u>(509)</u>
Total Endowment Net Assets	\$ _____	\$ <u>31,092</u>	\$ <u>100,000</u>	\$ <u>131,092</u>



WASHINGTON SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

May 31, 2015 and 2014

**NOTE 6 - ENDOWMENT** (Continued)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>May 31, 2014:</u>				
Endowment net assets at beginning of year		\$ 15,905	\$ 100,000	\$ 115,905
Investment return				
Investment income	\$ 2,278			2,278
Net appreciation realized and unrealized)	<u>1,197</u>	<u>10,082</u>	_____	<u>11,279</u>
Total Investment Return	<u>3,475</u>	<u>10,082</u>	_____	<u>13,557</u>
Appropriation of endowment assets for expenditure	(3,000)			(3,000)
Investment fees	<u>(475)</u>	_____	_____	<u>(475)</u>
Total Endowment Net Assets	\$ _____	\$ <u>25,987</u>	\$ <u>100,000</u>	\$ <u>125,987</u>

***Return Objectives and Risk Parameters***

The Foundation has adopted investment and spending policies for endowment assets that attempt to protect the principal of the Foundation's assets, ensure a return on investment commensurate with the safety of the principal and to ensure sufficient resources are available to meet the Foundation's needs. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that assumes a medium level of investment risk with losses not to exceed 12% per year. The Foundation expects its endowment funds, over time, to provide an average rate of return of a minimum of CPI plus 2%. Actual returns in any given year may vary from this amount.

***Strategies Employed for Achieving Objectives***

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation between fixed income and equity investments. The asset allocation for equity investments should not exceed 70% of total liquid invested assets.

## WASHINGTON SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

May 31, 2015 and 2014

#### **NOTE 6 - ENDOWMENT** (Continued)

##### ***Spending Policy and How the Investment Objectives Relate to Spending Policy***

The Foundation has a policy of appropriating for distribution each year approximately five percent of the balance in the investment account attributable to the endowment fund at the end of the prior fiscal year. In establishing this policy, the Foundation considered the long-term expected return on its endowment.

##### ***Funds with Deficiencies***

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. There were no deficiencies as of May 31, 2015 or 2014.

#### **NOTE 7 - SUBSEQUENT EVENTS**

On May 8, 2015, the Governor of the State of Washington signed into law substitute Senate Bill 5534, which became effective July 24, 2015. The bill created the Certified Public Accounting Scholarship Program for students enrolled at accredited Washington-based colleges or universities with a declared major in accounting, entering their junior year or higher. Funding for substitute Senate Bill 5534 was not provided in the bill as enacted. However, when the final budget for fiscal years 2015-2017 was enacted, a total of \$3.3 million dollars was budgeted to fund the scholarship program. Certain reserve funds from the Washington State Board of Accountancy ("State Board") totaling \$1.65 million in the fall of 2015 and \$1.65 million in the summer of 2016 will be used to fund the scholarship program. The Foundation is named in the statute as the organization responsible for administering the scholarship program. As provided in the statute, an agreement between the Foundation and the State Board concerning the administration of the scholarship program is being negotiated. Once that agreement is signed, the Washington State Treasurer's office will transfer the initial \$1.65 million to the Foundation. That is expected to occur before the end of calendar year 2015.

**SUPPLEMENTARY INFORMATION**

WASHINGTON SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

CONSOLIDATED SCHEDULE OF FINANCIAL POSITION

May 31, 2015

	Washington Society of CPAs	Washington CPA Foundation	Washington CPA/PAC	Eliminations	Total
<b><u>ASSETS</u></b>					
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	\$ 565,108	\$ 85,428	\$ 110,720		\$ 761,256
Investments	4,758,223	475,186			5,233,409
Accounts receivable	68,506	14,792	7,743	\$ (22,747)	68,294
Prepaid expenses	159,385				159,385
<b>Total Current Assets</b>	<b>5,551,222</b>	<b>575,406</b>	<b>118,463</b>	<b>(22,747)</b>	<b>6,222,344</b>
Endowment investments		131,092			131,092
Property and equipment, net	890,618				890,618
<b>TOTAL ASSETS</b>	<b>\$ 6,441,840</b>	<b>\$ 706,498</b>	<b>\$ 118,463</b>	<b>\$ (22,747)</b>	<b>\$ 7,244,054</b>
<b><u>LIABILITIES AND NET ASSETS</u></b>					
<b>CURRENT LIABILITIES</b>					
Accounts payable and accrued expenses	\$ 728,631	\$ 65,678		\$ (22,747)	\$ 771,562
Deferred revenue - continuing professional education programs	466,710				466,710
Deferred revenue - membership dues	1,324,675				1,324,675
Deferred revenue - other	6,091				6,091
<b>Total Current Liabilities</b>	<b>2,526,107</b>	<b>65,678</b>		<b>(22,747)</b>	<b>2,569,038</b>
<b>NET ASSETS</b>					
Unrestricted - Society	3,915,733				3,915,733
Unrestricted - Foundation		463,548			463,548
<b>Total Unrestricted Net Assets</b>	<b>3,915,733</b>	<b>463,548</b>			<b>4,379,281</b>
Temporarily restricted		77,272	\$ 118,463		195,735
Permanently restricted		100,000			100,000
<b>Total Net Assets</b>	<b>3,915,733</b>	<b>640,820</b>	<b>118,463</b>		<b>4,675,016</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 6,441,840</b>	<b>\$ 706,498</b>	<b>\$ 118,463</b>	<b>\$ (22,747)</b>	<b>\$ 7,244,054</b>

**WASHINGTON SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS**

CONSOLIDATED SCHEDULE OF ACTIVITIES

For the Year Ended May 31, 2015

	Washington Society of CPAs	Washington CPA Foundation	Washington CPA/PAC	Eliminations	Total
<b>REVENUES</b>					
Education programs	\$ 2,965,401				\$ 2,965,401
Membership dues	1,820,007				1,820,007
Peer review fees	208,212				208,212
Interest and dividend income	73,693	\$ 11,430	\$ 12		85,135
Networking events	63,639				63,639
Advertising	20,689				20,689
Contributions		56,640	44,393		101,033
Other	110,087			\$ (3,902)	106,185
<b>Total Revenue</b>	<b>5,261,728</b>	<b>68,070</b>	<b>44,405</b>	<b>(3,902)</b>	<b>5,370,301</b>
<b>EXPENSES</b>					
Program services					
Education programs	2,765,284				2,765,284
Member services programs	1,089,120				1,089,120
Peer review expenses	182,096				182,096
Networking events	64,071				64,071
Scholarships, grants and education programs		64,000			64,000
PAC expenses	67,714		101,402	(3,902)	165,214
<b>Total Program Expenses</b>	<b>4,168,285</b>	<b>64,000</b>	<b>101,402</b>	<b>(3,902)</b>	<b>4,329,785</b>
General and administrative	1,063,469	10,928			1,074,397
<b>Total Expenses</b>	<b>5,231,754</b>	<b>74,928</b>	<b>101,402</b>	<b>(3,902)</b>	<b>5,404,182</b>
<b>Change in Net Assets before Gain on Investments</b>	<b>29,974</b>	<b>(6,858)</b>	<b>(56,997)</b>		<b>(33,881)</b>
Gain on investments	171,795	28,421			200,216
<b>CHANGE IN NET ASSETS</b>	<b>\$ 201,769</b>	<b>\$ 21,563</b>	<b>\$ (56,997)</b>	<b>\$</b>	<b>\$ 166,335</b>