

**WASHINGTON SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS**

Audited Consolidated Financial Statements

May 31, 2014 and 2013

WASHINGTON SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

Audited Consolidated Financial Statements

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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, 2014 and 2013, 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)

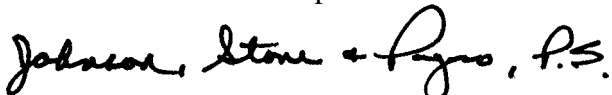
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2014 and 2013, 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 audit was 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, 2014 and activities for the year ended May 31, 2014 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 15, 2014

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

WASHINGTON SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

May 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 914,947	\$ 992,904
Investments	4,471,797	4,639,843
Accounts receivable	32,175	35,125
Prepaid expenses	<u>146,930</u>	<u>127,452</u>
Total Current Assets	5,565,849	5,795,324
Endowment investments	125,987	115,905
Property and equipment, net	<u>1,005,770</u>	<u>911,145</u>
TOTAL ASSETS	<u>\$ 6,697,606</u>	<u>\$ 6,822,374</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 677,006	\$ 577,698
Deferred revenue - continuing professional education programs	366,969	507,140
Deferred revenue - membership dues	1,141,670	1,422,890
Deferred revenue - other	3,280	2,500
Grant payable	<u>5,000</u>	<u>5,000</u>
Total Current Liabilities	2,188,925	2,515,228
NET ASSETS		
Unrestricted - Society	3,713,964	3,564,373
Unrestricted - Foundation	<u>445,690</u>	<u>408,146</u>
Total Unrestricted Net Assets	4,159,654	3,972,519
Temporarily restricted	249,027	234,627
Permanently restricted	<u>100,000</u>	<u>100,000</u>
Total Net Assets	<u>4,508,681</u>	<u>4,307,146</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,697,606</u>	<u>\$ 6,822,374</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, 2014 and 2013

	2014				2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES								
Education programs	\$ 2,834,967			\$ 2,834,967	\$ 3,157,608			\$ 3,157,608
Membership dues	1,788,733			1,788,733	1,772,673			1,772,673
Peer review fees	191,524			191,524	153,926			153,926
Interest and dividend income	72,249	\$ 17		72,266	77,426	\$ 54		77,480
Networking events	69,299			69,299	58,302			58,302
Advertising	27,051			27,051	26,971			26,971
Contributions	70,541	11,201		81,742	107,249	1,500		108,749
Other	107,224			107,224	115,112			115,112
Net assets released from restrictions	6,900	(6,900)			45,273	(45,273)		
Total Revenue	5,168,488	4,318		5,172,806	5,514,540	(43,719)		5,470,821
EXPENSES								
Program services								
Education programs	2,725,183			2,725,183	2,900,729			2,900,729
Member services programs	981,413			981,413	1,037,936			1,037,936
Peer review expenses	155,272			155,272	136,209			136,209
Networking events	70,296			70,296	55,385			55,385
Scholarships, grants and education programs	69,216			69,216	52,000			52,000
PAC expenses	85,488			85,488	167,863			167,863
Total Program Expenses	4,086,868			4,086,868	4,350,122			4,350,122
General and administrative	1,151,746			1,151,746	934,678			934,678
Total Expenses	5,238,614			5,238,614	5,284,800			5,284,800
Change in Net Assets Before Gain on Investments	(70,126)	4,318		(65,808)	229,740	(43,719)		186,021
Gain on investments	257,261	10,082		267,343	348,200	13,507		361,707
Change in Net Assets	187,135	14,400		201,535	577,940	(30,212)		547,728
Net Assets at Beginning of Year	3,972,519	234,627	\$ 100,000	4,307,146	3,394,579	264,839	\$ 100,000	3,759,418
NET ASSETS AT END OF YEAR	\$ 4,159,654	\$ 249,027	\$ 100,000	\$ 4,508,681	\$ 3,972,519	\$ 234,627	\$ 100,000	\$ 4,307,146

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, 2014 and 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from education programs	\$ 2,706,519	\$ 3,099,516
Cash received from membership dues	1,507,512	1,869,183
Cash received from other sources	468,846	466,646
Cash paid to employees	(1,992,049)	(1,982,111)
Cash paid to vendors and others	(3,060,734)	(3,236,995)
Interest and dividends received	<u>72,267</u>	<u>77,480</u>
Net Cash Flow Provided (Used) by Operating Activities	(297,639)	293,719
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	879,150	
Purchase of investments	(453,843)	(309,606)
Purchases of property and equipment	<u>(205,625)</u>	<u>(38,173)</u>
Net Cash Flow Provided (Used) by Investing Activities	<u>219,682</u>	<u>(347,779)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(77,957)	(54,060)
Cash and Cash Equivalents at Beginning of Year	<u>992,904</u>	<u>1,046,964</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 914,947</u>	<u>\$ 992,904</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, 2014 and 2013

	<u>2014</u>	<u>2013</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED (USED) BY FROM OPERATING ACTIVITIES		
Change in net assets	\$ 201,535	\$ 547,728
Adjustments to reconcile change in net assets to net cash flow provided (used) by operating activities		
Depreciation	111,000	114,860
Amortization		4,758
Loss on disposition of computer equipment		1,561
Gain on investments	(267,343)	(361,707)
Changes in operating assets and liabilities		
Accounts receivable	2,950	18,585
Prepaid expenses	(19,478)	12,378
Accounts payable and accrued expenses	99,308	(72,679)
Deferred revenue	(420,611)	33,235
Grants payable	<u>(5,000)</u>	<u>(5,000)</u>
NET CASH FLOW PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (297,639)</u>	<u>\$ 293,719</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, 2014 and 2013

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. 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>2014</u>	<u>2013</u>
Chapter use	\$ 91,958	\$ 98,196
Undesignated	<u>3,622,006</u>	<u>3,466,177</u>
Total Unrestricted Society Net Assets	\$ <u>3,713,964</u>	\$ <u>3,564,373</u>

WASHINGTON SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

May 31, 2014 and 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unrestricted Net Assets (Continued)

Unrestricted Foundation net assets at May 31, 2014 and 2013 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>2014</u>	<u>2013</u>
Roy Polley Scholarship Fund	\$ 43,965	\$ 45,365
George J. Waterman Memorial Scholarship Fund	25,987	15,905
Other scholarship funds	3,615	9,115
PAC activities	<u>175,460</u>	<u>164,242</u>
	<u>\$ 249,027</u>	<u>\$ 234,627</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 \$179,065. Investments held at a brokerage house also exceeded the Securities Investor Protection Corporation and cash limit by \$597,471, including \$400,000 held in cash for liquidity purposes.

WASHINGTON SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

May 31, 2014 and 2013

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, 2014 or 2013, as no amounts are more than 90 days old.

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 \$111,000 and \$114,860 for the years ended May 31, 2014 and 2013, 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, 2014 and 2013, 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 \$143,458 in 2014 and \$149,124 in 2013.

WASHINGTON SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

May 31, 2014 and 2013

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, 2014 or 2013.

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, 2014 or 2013. The tax years ended prior to May 31, 2011 are closed to examination.

Subsequent Events

The management of the Society evaluated for subsequent events and transactions for potential recognition and disclosure through September 15, 2014, the date the financial statements were available to be issued.

WASHINGTON SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

May 31, 2014 and 2013

NOTE 3 - INVESTMENTS

Investments consist of the following at May 31:

	<u>2014</u>	<u>2013</u>
Money market accounts	\$ 847,471	\$ 980,008
Equity mutual funds		
Real estate index funds	294,406	236,599
Value index funds	12,327	12,233
Growth index funds	611,047	583,919
Small cap index funds	274,024	262,789
Large cap index funds	<u>647,853</u>	<u>646,373</u>
Total Equity Mutual Funds	1,839,657	1,741,913
Fixed income mutual funds		
Corporate bond index funds	593,675	573,878
Preferred stock index funds	92,611	87,839
Treasury bill index funds	563,294	670,993
Intermediate term bond	419,470	598,081
Inflation protection security	<u>241,606</u>	<u>103,036</u>
Total Fixed Income Mutual Funds	1,910,656	2,033,827
Total Investments	\$ <u>4,597,784</u>	\$ <u>4,755,748</u>

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

	<u>2014</u>	<u>2013</u>
Investments	\$ 4,471,797	\$ 4,639,843
Endowment investments	<u>125,987</u>	<u>115,905</u>
Total Investments	\$ <u>4,597,784</u>	\$ <u>4,755,748</u>

WASHINGTON SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

May 31, 2014 and 2013

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at May 31:

	<u>2014</u>	<u>2013</u>
Land	\$ 571,500	\$ 571,500
Buildings and improvements	1,703,938	1,703,938
Furniture and equipment	471,538	415,799
Computer equipment	<u>466,891</u>	<u>298,328</u>
	3,213,867	2,989,565
Less accumulated depreciation	<u>2,208,097</u>	<u>2,097,097</u>
	1,005,770	892,468
Fixed assets not yet in service	<u> </u>	<u>18,677</u>
Property and Equipment, Net	\$ <u>1,005,770</u>	\$ <u>911,145</u>

NOTE 5 - GRANT PAYABLE

Grant payable consisted of an unconditional promise to pay a grant awarded by the Foundation. At May 31, 2013, the amount payable was \$5,000, but was not distributed as the grant was discontinued during the year ended May 31, 2014.

NOTE 6 - 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, 2014, fees paid were not material. For the year ending May 31, 2013, the WSCPA paid approximately \$60,500 to those related parties. The fees are included in continuing professional education program expenses or other appropriate category in the consolidated statements of activities.

NOTE 7 - 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, 2014 and 2013

NOTE 7 - 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, 2014 and 2013:

	<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	3,475	10,082	_____	13,557
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>

WASHINGTON SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

May 31, 2014 and 2013

NOTE 7 - ENDOWMENT (Continued)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>May 31, 2013:</u>				
Endowment net assets at beginning of year		\$ 2,398	\$ 100,000	\$ 102,398
Investment return				
Investment income	\$ 2,375			2,375
Net appreciation realized and unrealized)	<u>1,061</u>	<u>13,507</u>	_____	<u>14,568</u>
Total Investment Return	3,436	13,507		16,943
Appropriation of endowment assets for expenditure	(3,000)			(3,000)
Investment fees	<u>(436)</u>	_____	_____	<u>(436)</u>
 Total Endowment Net Assets	 \$ _____	 \$ <u>15,905</u>	 \$ <u>100,000</u>	 \$ <u>115,905</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, 2014 and 2013

NOTE 7 - 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, 2014 or 2013.

SUPPLEMENTARY FINANCIAL INFORMATION

WASHINGTON SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

CONSOLIDATED SCHEDULE OF FINANCIAL POSITION

May 31, 2014

	Washington Society of CPAs	Washington CPA Foundation	Washington CPA/PAC	Eliminations	Total
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	\$ 640,184	\$ 103,433	\$ 171,330		\$ 914,947
Investments	4,029,010	442,787			4,471,797
Accounts receivable	33,708	9,730	4,130	\$ (15,393)	32,175
Prepaid expenses	146,930				146,930
Total Current Assets	4,849,832	555,950	175,460	(15,393)	5,565,849
Endowment investments		125,987			125,987
Property and equipment, net	1,005,770				1,005,770
TOTAL ASSETS	\$ 5,855,602	\$ 681,937	\$ 175,460	\$ (15,393)	\$ 6,697,606
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts payable and accrued expenses	\$ 629,719	\$ 62,680		\$ (15,393)	\$ 677,006
Deferred revenue - continuing professional education programs	366,969				366,969
Deferred revenue - membership dues	1,141,670				1,141,670
Deferred revenue - other	3,280				3,280
Total Current Liabilities	2,141,638	62,680		(15,393)	2,188,925
NET ASSETS					
Unrestricted - Society	3,713,964				3,713,964
Unrestricted - Foundation		445,690			445,690
Total Unrestricted Net Assets	3,713,964	445,690			4,159,654
Temporarily restricted		73,567	\$ 175,460		249,027
Permanently restricted		100,000			100,000
Total Net Assets	3,713,964	619,257	175,460		4,508,681
TOTAL LIABILITIES AND NET ASSETS	\$ 5,855,602	\$ 681,937	\$ 175,460	\$ (15,393)	\$ 6,697,606

WASHINGTON SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

CONSOLIDATED SCHEDULE OF ACTIVITIES

For the Year Ended May 31, 2014

	Washington Society of CPAs	Washington CPA Foundation	Washington CPA/PAC	Eliminations	Total
REVENUES					
Education programs	\$ 2,834,967				\$ 2,834,967
Membership dues	1,788,733				1,788,733
Peer review fees	191,524				191,524
Interest and dividend income	62,024	\$ 10,225	\$ 17		72,266
Networking events	69,299				69,299
Advertising	27,051				27,051
Contributions		60,538	21,204		81,742
Other	111,207			\$ (3,983)	107,224
Total Revenue	5,084,805	70,763	21,221	(3,983)	5,172,806
EXPENSES					
Program services					
Education programs	2,725,183				2,725,183
Member services programs	981,413				981,413
Peer review expenses	155,272				155,272
Networking events	70,296				70,296
Scholarships, grants and education programs		69,216			69,216
PAC expenses	79,468		10,003	(3,983)	85,488
Total Program Expenses	4,011,632	69,216	10,003	(3,983)	4,086,868
General and administrative	1,139,929	11,817			1,151,746
Total Expenses	5,151,561	81,033	10,003	(3,983)	5,238,614
Change in Net Assets before Gain on Investments	(66,756)	(10,270)	11,218		(65,808)
Gain on investments	216,347	50,996			267,343
CHANGE IN NET ASSETS	\$ 149,591	\$ 40,726	\$ 11,218	\$	\$ 201,535