



## CALCPA TREASURER'S REPORT



CalCPA finished its first century solidly. This last year presented a number of challenges both financially and to the profession. We met those challenges and we are ready for another century of growth and advancement. Membership continues to grow. We have more than 35,000 members, making us the largest state CPA society.

Operationally CalCPA had a very strong year, which resulted in an increase in net assets before investment losses of \$1,744,000. The membership and organization both contributed to this increase. Our member retention rate was 94 percent for licensed CPA members, and dues revenue grew 13 percent over the previous year. Also, CalCPA responded to the uncertain financial and business climate with a concerted effort to reduce costs. The most significant reductions were in personnel costs, primarily due to a hiring freeze, reduced travel and training. Other major cost savings were achieved by electronically distributing member materials. We continue to realize substantial efficiencies and cost savings by combining administrative efforts of the Education Foundation and CalCPA.

Last fiscal year, a decision was made to terminate and liquidate the defined benefit pension plan. In hindsight, this was a great decision. We avoided what would have been a significant increase in the cost of the plan due to the overall decline in the market. As of the end of the calendar year, the plan has been completely liquidated and is no longer a liability.

CalCPA continues to support those interested in joining our profession through contributions to the CalCPA Institute. Our members contributed via direct contributions, financial literacy programs and chapter events. We gave out almost \$294,000 in scholarships. Additionally, CalCPA contributed \$50,000 to the AICPA Foundation Doctoral Scholarship.

We are looking forward to another year of supporting the profession in California and nationally. Our break-even budget for 2009–10 continues to support strong member services, membership growth and government advocacy.

—Conrad Davis, CPA



## CALIFORNIA CPA EDUCATION FOUNDATION TREASURER'S REPORT



The Education Foundation has completed another successful year with operating revenues totaling \$13.8 million. Attendance at our courses and conferences remained strong this year, and resort CE weeks were well received. Enhancements to our e-learning offerings, expansion of our instructor base, new courses and focused marketing efforts have contributed to this success. Expenses were controlled, primarily due to negotiations of on-site meeting costs, electronic marketing and the efficiency of shared services with CalCPA.

Though results of operations were very strong, the Foundation experienced significant investment losses due to poor market conditions, and an overall decrease in net assets. At year-end, net assets were still healthy at \$4.8 million.

The marketplace is increasingly competitive, but the Foundation is poised to meet those challenges. We are focused on learning trends and proactively responding to a changing environment. The Foundation will continue to pursue its goal to provide high-value, quality professional education and strive to meet and exceed the expectations of our customers and you, the members.

—Michelle Walters, CPA





MACIAS GINI & O'CONNELL LLP

To the Council of  
the California Society of Certified Public Accountants  
To the Board of Trustees of  
the California Certified Public Accountants Education Foundation



## INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying combining statements of financial position of the California Society of Certified Public Accountants (Society) and California Certified Public Accountants Education Foundation (Foundation) as of April 30, 2009 and 2008, and the related combining statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the management of the Society and the Foundation. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combining financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Society's and Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combining financial position of the California Society of Certified Public Accountants and California Certified Public Accountants Education Foundation as of April 30, 2009 and 2008, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Macias Gini & O'Connell LLP*

Certified Public Accountants  
Sacramento, California

June 8, 2009

## COMBINING STATEMENTS OF FINANCIAL POSITION

California Society Of Certified Public Accountants  
California Certified Public Accountants Education Foundation

April 30, 2009 And 2008

(Amounts Expressed In Thousands)

	Society		Foundation		Combined	
	2009	2008	2009	2008	2009	2008
<b>ASSETS</b>						
<b>Current Assets:</b>						
Cash and Equivalents	\$ 9,113	\$ 7,406	\$ 3,124	\$ 1,603	\$ 12,237	\$ 9,009
Trade Receivables, Net	186	184	39	73	225	257
Other Accounts Receivable	316	261	—	16	316	277
Due From (To) Affiliate	434	318	(434)	(318)	—	—
Other Current Assets	354	334	279	342	633	676
<b>Total Current Assets</b>	<b>10,403</b>	<b>8,503</b>	<b>3,008</b>	<b>1,716</b>	<b>13,411</b>	<b>10,219</b>
<b>Investments</b>	<b>9,136</b>	<b>12,588</b>	<b>4,651</b>	<b>7,490</b>	<b>13,787</b>	<b>20,078</b>
<b>Property and Equipment, Net</b>	<b>337</b>	<b>557</b>	<b>202</b>	<b>212</b>	<b>539</b>	<b>769</b>
<b>Deferred Compensation Assets</b>	<b>402</b>	<b>433</b>	<b>—</b>	<b>—</b>	<b>402</b>	<b>433</b>
<b>TOTAL ASSETS</b>	<b>\$ 20,278</b>	<b>\$ 22,081</b>	<b>\$ 7,861</b>	<b>\$ 9,418</b>	<b>\$ 28,139</b>	<b>\$ 31,499</b>
<b>LIABILITIES AND NET ASSETS</b>						
<b>Current Liabilities:</b>						
Accounts Payable	\$ 164	\$ 261	\$ 201	\$ 180	\$ 365	\$ 441
Accrued Expenses	779	687	257	545	1,036	1,232
Deferred Revenues	7,167	6,593	2,505	2,703	9,672	9,296
Deferred Lease Costs	113	97	43	43	156	140
<b>Total Current Liabilities</b>	<b>8,223</b>	<b>7,638</b>	<b>3,006</b>	<b>3,471</b>	<b>11,229</b>	<b>11,109</b>
<b>Deferred Lease Costs</b>	<b>74</b>	<b>167</b>	<b>10</b>	<b>52</b>	<b>84</b>	<b>219</b>
<b>Accrued Pension Liability</b>	<b>—</b>	<b>500</b>	<b>—</b>	<b>200</b>	<b>—</b>	<b>700</b>
<b>Deferred Compensation Liability</b>	<b>402</b>	<b>433</b>	<b>—</b>	<b>—</b>	<b>402</b>	<b>433</b>
<b>TOTAL LIABILITIES</b>	<b>8,699</b>	<b>8,738</b>	<b>3,016</b>	<b>3,723</b>	<b>11,715</b>	<b>12,461</b>
<b>Net Assets:</b>						
Unrestricted	10,182	11,843	4,760	5,609	14,942	17,452
Temporarily Restricted	1,397	1,500	—	—	1,397	1,500
Permanently Restricted	—	—	85	86	85	86
<b>TOTAL NET ASSETS</b>	<b>11,579</b>	<b>13,343</b>	<b>4,845</b>	<b>5,695</b>	<b>16,424</b>	<b>19,038</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 20,278</b>	<b>\$ 22,081</b>	<b>\$ 7,861</b>	<b>\$ 9,418</b>	<b>\$ 28,139</b>	<b>\$ 31,499</b>

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

## COMBINING STATEMENTS OF ACTIVITIES

California Society Of Certified Public Accountants  
California Certified Public Accountants Education Foundation

Years Ended April 30, 2009 And 2008

(Amounts Expressed In Thousands)

	Society		Foundation		Combined	
	2009	2008	2009	2008	2009	2008
<b>REVENUES:</b>						
Dues	\$ 9,476	\$ 8,376	\$ —	\$ —	\$ 9,476	\$ 8,376
Registration Fees	—	—	13,811	12,407	13,811	12,407
Peer Review Fees	863	884	—	—	863	884
Member Meetings and Events	974	1,129	—	—	974	1,129
Financial Literacy and Scholarships	550	624	—	—	550	624
Advertising	1,069	1,139	—	—	1,069	1,139
Services To (From) Related Entities	701	664	(169)	(162)	532	502
Royalties and Affinity Programs	81	97	80	87	161	184
Investment Income (Loss), Net	(3,009)	430	(2,123)	(189)	(5,132)	241
Other Income	238	316	—	—	238	316
<b>TOTAL REVENUES</b>	<b>10,943</b>	<b>13,659</b>	<b>11,599</b>	<b>12,143</b>	<b>22,542</b>	<b>25,802</b>
<b>EXPENSES:</b>						
Program Services:						
Member Events:						
Chapters	2,475	2,672	—	—	2,475	2,672
Committees	603	466	—	—	603	466
Other Activities	1,733	2,429	—	—	1,733	2,429
Other Member Services:						
Communications	2,146	2,328	—	—	2,146	2,328
Government Relations	1,042	987	—	—	1,042	987
Professional Education Programs	421	530	11,498	11,625	11,919	12,155
Total Program Services	8,420	9,412	11,498	11,625	19,918	21,037
Supporting Services:						
Management and General	3,776	3,973	844	1,051	4,620	5,024
Governance	511	421	107	99	618	520
<b>TOTAL EXPENSES</b>	<b>12,707</b>	<b>13,806</b>	<b>12,449</b>	<b>12,775</b>	<b>25,156</b>	<b>26,581</b>
<b>CHANGE IN NET ASSETS</b>	<b>(1,764)</b>	<b>(147)</b>	<b>(850)</b>	<b>(632)</b>	<b>(2,614)</b>	<b>(779)</b>
<b>NET ASSETS:</b>						
Beginning of Year	13,343	13,490	5,695	6,327	19,038	19,817
End of Year	\$ 11,579	\$ 13,343	\$ 4,845	\$ 5,695	\$ 16,424	\$ 19,038

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

**STATEMENTS OF FUNCTIONAL EXPENSES**

California Society Of Certified Public Accountants  
Years Ended April 30, 2009 And 2008

(Amounts Expressed In Thousands)

	Member Events				Other Member Services		Professional Education Programs		Supporting Services		Total
	Chapters	Committees	Other Activities	Communi- cations	Government Relations	Scholarships and Financial Literacy	Management and General Governance	Management and General Governance	Management and General Governance		
<b>2009</b>											
Personnel	\$ 1,005	\$ 346	\$ 978	\$ 943	\$ 771	\$ 113	\$ 2,651	\$ 72	\$ 6,879		
Supplies and Office	60	9	257	169	164	49	1,104	5	1,817		
Meeting and Event	1,228	177	108	2	11	77	18	309	1,930		
Occupancy	129	44	125	121	99	—	340	9	867		
Printing and Publications	5	11	97	411	9	38	67	10	648		
Special Projects	2	—	—	406	—	—	16	103	527		
Scholarship Distributions	—	—	—	—	—	294	—	—	294		
Depreciation and Amortization	46	16	44	43	35	—	121	3	308		
Allocated	—	—	124	51	(47)	(150)	(541)	—	(563)		
<b>TOTAL</b>	<b>\$ 2,475</b>	<b>\$ 603</b>	<b>\$ 1,733</b>	<b>\$ 2,146</b>	<b>\$ 1,042</b>	<b>\$ 421</b>	<b>\$ 3,776</b>	<b>\$ 511</b>	<b>\$12,707</b>		
<b>2008</b>											
Personnel	\$ 1,020	\$ 219	\$ 1,435	\$ 1,090	\$ 712	\$ 125	\$ 2,678	\$ 88	\$ 7,367		
Supplies and Office	84	11	281	149	176	68	1,041	11	1,821		
Meeting and Event	1,394	186	178	5	13	62	26	274	2,138		
Occupancy	117	25	164	125	82	—	307	10	830		
Printing and Publications	7	15	172	411	10	34	117	17	783		
Special Projects	2	—	—	446	—	—	7	17	472		
Scholarship Distributions	—	—	—	—	—	291	—	—	291		
Depreciation and Amortization	48	10	68	52	34	—	127	4	343		
Allocated	—	—	131	50	(40)	(50)	(330)	—	(239)		
<b>TOTAL</b>	<b>\$ 2,672</b>	<b>\$ 466</b>	<b>\$ 2,429</b>	<b>\$ 2,328</b>	<b>\$ 987</b>	<b>\$ 530</b>	<b>\$ 3,973</b>	<b>\$ 421</b>	<b>\$13,806</b>		

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

## STATEMENTS OF FUNCTIONAL EXPENSES

California Certified Public Accountants Education Foundation

Years Ended April 30, 2009 And 2008

(Amounts Expressed In Thousands)

	Professional Education Programs	Management and General	Governance	Total
<b>2009</b>				
Course and Conference	\$ 7,187	\$ —	\$ —	\$ 7,187
Personnel	2,209	635	104	2,948
Brochures	458	—	—	458
Supplies and Office	220	61	2	283
Occupancy	348	48	—	396
Depreciation and Amortization	89	12	—	101
Allocated	639	(76)	—	563
Other	348	164	1	513
<b>TOTAL</b>	<b>\$ 11,498</b>	<b>\$ 844</b>	<b>\$ 107</b>	<b>\$ 12,449</b>
<b>2008</b>				
Course and Conference	\$ 7,670	\$ —	\$ —	\$ 7,670
Personnel	2,135	770	97	3,002
Brochures	657	—	—	657
Supplies and Office	290	130	2	422
Occupancy	294	77	—	371
Depreciation and Amortization	69	18	—	87
Allocated	349	(110)	—	239
Other	161	166	—	327
<b>TOTAL</b>	<b>\$ 11,625</b>	<b>\$ 1,051</b>	<b>\$ 99</b>	<b>\$ 12,775</b>

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

## COMBINING STATEMENTS OF CASH FLOWS

California Society Of Certified Public Accountants  
California Certified Public Accountants Education Foundation

Years Ended April 30, 2009 And 2008

(Amounts Expressed In Thousands)

	Society		Foundation		Combined	
	2009	2008	2009	2008	2009	2008
<b>OPERATING ACTIVITIES:</b>						
Change in Net Assets	\$ (1,764)	\$ (147)	\$ (850)	\$ (632)	\$(2,614)	\$ (779)
Reconciliation of the Change in Net Assets to Net Cash Provided by Operating Activities:						
Net Realized and Unrealized						
Losses on Investments	3,507	461	2,309	990	5,816	1,451
Depreciation and Amortization	308	343	101	87	409	430
Loss on Disposal of Property & Equipment	2	—	—	—	2	—
Changes In:						
Trade and Other Receivables, Net	(57)	67	50	155	(7)	222
Due From (To) Affiliate	(116)	407	116	(407)	—	—
Other Current Assets	(20)	39	63	33	43	72
Prepaid Pension Cost	—	261	—	124	—	385
Accounts Payable	(97)	(6)	21	65	(76)	59
Accrued Expenses	92	54	(288)	(419)	(196)	(365)
Deferred Revenues	575	698	(198)	431	377	1,129
Deferred Lease Costs	(77)	(70)	(42)	(43)	(119)	(113)
Accrued Pension Liability	(500)	500	(200)	200	(700)	700
<b>Net Cash Provided by Operating Activities</b>	<b>1,852</b>	<b>2,607</b>	<b>1,082</b>	<b>584</b>	<b>2,934</b>	<b>3,191</b>
<b>INVESTING ACTIVITIES:</b>						
Purchases of Investments	(2,680)	(1,170)	(1,018)	(2,120)	(3,698)	(3,290)
Proceeds from Sale of Investments	2,625	532	1,548	1,166	4,173	1,698
Purchases of Property and Equipment	(90)	(189)	(91)	(108)	(181)	(297)
<b>Net Cash Provided by (Used in) Investing Activities</b>	<b>(145)</b>	<b>(827)</b>	<b>439</b>	<b>(1,062)</b>	<b>294</b>	<b>(1,889)</b>
<b>NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS</b>	<b>1,707</b>	<b>1,780</b>	<b>1,521</b>	<b>(478)</b>	<b>3,228</b>	<b>1,302</b>
<b>CASH AND EQUIVALENTS:</b>						
Beginning of Year	7,406	5,626	1,603	2,081	9,009	7,707
End of Year	\$ 9,113	\$ 7,406	\$ 3,124	\$ 1,603	\$12,237	\$ 9,009

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

# notes to the Combining Financial Statements

(Amounts Expressed In Thousands)

2009  
annual  
report

## 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The California Society of Certified Public Accountants (Society) is a nonprofit incorporated membership organization whose purpose is to advance the profession of accountancy in the State of California. The Society provides its members with general and technical resources through its chapters and committees. California Certified Public Accountants Education Foundation (Foundation) is a nonprofit public benefit corporation organized to provide continuing professional education to Certified Public Accountants (CPAs) and other interested parties. Revenues for both the Society and the Foundation are derived primarily from CPAs in California. The Society and the Foundation share some administrative functions. Such costs are allocated between the entities based on their estimated share. The California CPA Institute (the Institute), a nonprofit organization under Internal Revenue Code Section 501(c)(3), was formed in October 2004 to account for scholarship activities and financial literacy programs. The activities of the Institute are included in the Society. The Institute is governed by the Society's Board of Directors.

**PRINCIPLES OF COMBINATION** – The Board of Trustees of the Foundation consists of members of the Society who are elected by the governing Council of the Society. Because of common control, the accompanying financial statements reflect the combining of the Society and the Foundation.

**BASIS OF PRESENTATION** – The financial statements are presented in conformity with Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-For-Profit Organizations*.

**REVENUE RECOGNITION** – Membership dues are recognized as revenue over the membership period. Peer review registration fees are recognized over the calendar year. Peer review processing and review fees are recognized when review engagements are completed. Revenues from professional education programs are recognized in the periods the programs are held. Advertising revenues are recognized when the services are rendered. Revenues collected in advance are deferred until earned.

**CASH AND EQUIVALENTS** – For financial statement purposes, the Society and the Foundation consider all investments with maturity at purchase of three months or less to be cash equivalents.

**ALLOWANCE FOR DOUBTFUL ACCOUNTS** – Management periodically reviews the collectability of its accounts receivable and establishes an allowance for doubtful accounts as necessary. Management considers factors such as historical experience, credit quality, the age of the accounts receivable balances in determining the appropriate allowance. The allowance totaled \$11 for the Society at April 30, 2009 and 2008, and totaled \$6 for the Foundation at April 30, 2009 and 2008.

**INVESTMENTS** – Investments are stated at fair value. Unrealized and realized gains and losses are included in investment income reported on the combining statements of activities. Investment income (loss) is reported net of related investment expenses.

**PROPERTY AND EQUIPMENT** – Property and equipment are stated at cost and depreciated or amortized using the straight-line method over estimated useful lives of 3 to 10 years. Leasehold improvements are amortized over the lease term.

**DEFERRED LEASE COSTS** – Rent expense is recognized on a straight-line basis over the lives of the leases. Deferred lease costs represent rent expense recognized in excess of rental payments made.

**Other Income** – Includes event sponsorships for various state committee meetings and conferences.

**ADVERTISING COSTS** – Advertising costs consist primarily of radio advertisements, catalogs and brochures for educational seminars and other events. Advertising costs are capitalized as other current assets and charged to expense in the period the events occur. Other advertising costs are expensed as incurred.

**DONATED SERVICES** – Members of the Society donate their time to various activities of the Society and the Foundation, including the leadership of the organizations, committees, chapters and member events. The value of this donated time is not reflected in the combining financial statements since it does not meet the criteria for recognition as a contribution.

**INCOME TAXES** – The Society is exempt from income taxes under Internal Revenue Code (IRC) Section 501(c)(6) and related California code sections. The Institute and the Foundation are both exempt from income taxes under Internal Revenue Code (IRC) Section 501(c)(3) and related California code sections. However, the organizations are subject to income taxes from activities unrelated to their tax-exempt purposes. The Foundation is considered a publicly supported organization.

**FUNCTIONAL EXPENSES** – The costs of providing the program services and supporting services have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs are for services shared between the Society and Foundation.

**COMPENSATED ABSENCES** – Accumulated paid time off is accrued when incurred.

**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. Accordingly, actual results could differ from those estimates.

**RECENT ACCOUNTING PRONOUNCEMENTS** – In June 2006, the Financial Accounting Standards Board (FASB) issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109*, (FIN 48). FIN 48 provides guidance on recognition and measurement of uncertainties in income taxes recognized in financial statements by prescribing a more-likely-than-not recognition threshold and measurement attribute of tax positions taken or expected to be taken on a tax return. On December 30, 2008 FASB Staff Position (FSP) FIN 48-3 was issued and allows for the deferral of FIN 48 for fiscal years beginning after December 15, 2008.

In accordance with this provision, the Society and Foundation elected to defer the application of FIN 48. Based on management's analysis of the Society's and Foundation's tax positions, the accounting for any uncertainty in its tax positions is not expected to have a material impact on the financial statements.

In September 2006, FASB issued SFAS No. 157, *Fair Value Measurements* (SFAS No. 157) which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. SFAS No. 157 applies under other accounting pronouncements that require or permit fair value measurements. FASB previously concluded in those accounting pronouncements that fair value is the relevant measurement attribute. Accordingly, SFAS No. 157 does not require any new fair value measurements. However, for some entities, application of SFAS No. 157 will change current practice. In February 2008, FASB issued Staff Position No. 157-2 that defers the

# notes to the Combining Financial Statements

(Amounts Expressed In Thousands)

effective date of SFAS No. 157 for non-financial assets and non-financial liabilities, except for items that are recognized or disclosed at fair value in financial statements on a recurring basis for fiscal years beginning after November 15, 2008. In addition, FASB also agreed to exclude from scope of SFAS No. 157 fair value measurements made for purposes of applying SFAS No. 13, *Accounting for Leases*, and related interpretive accounting pronouncements. The adoption of SFAS No. 157 for financial assets and liabilities did not have a significant impact on the Society's and Foundation's results of operations, cash flows or financial position. The Society and Foundation are assessing the impact of adopting SFAS No. 157 on non-financial assets and liabilities, but do not expect it to have a material impact on its results of operations, cash flows or financial position.

In February 2007, FASB issued SFAS No. 159 *The Fair Value Option for Financial Assets and Financial Liabilities* (SFAS No. 159) which permits entities to choose to measure many financial instruments and certain other items at fair value. The objective of SFAS No. 159 is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. SFAS No. 159 is effective for an entity's first fiscal year that begins after November 15, 2007. The Society and Foundation have adopted SFAS No. 159 but did not elect to measure any eligible financial instruments at fair value under this guidance.

## 2. RELATED PARTIES

The Society shares certain administrative functions with CAMICO Mutual Insurance Company (CAMICO) and Group Insurance Trust (GIT). The Society charges GIT and is charged by CAMICO for estimated shares of related expenses. The Society provides services to CAMICO and GIT.

CAMICO provides professional liability insurance for Society members and is endorsed by the Society. Since CAMICO is not under common control with the Society and the Foundation, the financial statements do not reflect consolidation of CAMICO. Balances of \$29 and \$39 due from CAMICO as of April 30, 2009 and 2008, respectively, are included in the Society's other accounts receivable. Services purchased by CAMICO, net of expenses allocated from CAMICO, totaled \$191 for 2009 and \$179 for 2008.

GIT is a multiple-employer welfare arrangement formed to provide health and welfare insurance plans to Society members at favorable group rates. The Society's Council exerts control over the nomination process for the Board of Trustees of GIT. However, since regulatory agencies limit the Society's control of GIT's activities, the financial statements do not reflect consolidation of GIT. Balances of \$60 and \$14 due from GIT are included in the Society's other accounts receivable as of April 30, 2009 and 2008, respectively. Services purchased and expenses allocated for GIT totaled \$311 for 2009 and \$273 for 2008.

## 3. THE INSTITUTE

The activities of CalCPA Institute are reflected in the financial statements of the Society. This entity was formed to account for scholarship activities and financial literacy programs. Its net assets, total revenues and total expenses for 2009 and 2008 are as follows:

	<b>2009</b>	<b>2008</b>
Current assets	\$ 626	\$ 432
Noncurrent assets	950	1,263
<b>Total Assets</b>	<b>\$ 1,576</b>	<b>\$ 1,695</b>
Current liabilities	\$ —	\$ 18
<b>Net Assets</b>	<b>1,576</b>	<b>1,677</b>
<b>Total liabilities and net assets</b>	<b>\$ 1,576</b>	<b>\$ 1,695</b>
Revenue:		
Scholarship donations	\$ 351	\$ 371
Financial literacy donations	199	254
Investment and other income	(269)	28
<b>Total revenue</b>	<b>281</b>	<b>653</b>
Expenses:		
Administration expenses	88	192
Scholarship distributions	294	292
<b>Total expenses</b>	<b>382</b>	<b>484</b>
Change in net assets	(101)	169
Net assets, beginning of year	1,677	1,508
<b>Net assets, end of year</b>	<b>\$ 1,576</b>	<b>\$ 1,677</b>

## 4. PEER REVIEW PROGRAM

The financial statements of the Society include the operations of the Peer Review Program, which administers the American Institute of Certified Public Accountants' Peer Review Program in California, Arizona and Alaska. Peer review expenses are included in other activities in the statements of activities and the statements of functional expenses. Revenues, expenses and net assets for the program are summarized as follows:

	<b>2009</b>	<b>2008</b>
Revenues:		
Registration fees	\$ 693	\$ 695
Processing and review fees	170	189
Total peer review fees	863	884
Interest income	19	44
Other income	11	12
<b>Total revenues</b>	<b>893</b>	<b>940</b>
Expenses:		
Reviewer costs and operating expenses	994	1,016
Change in net assets	(101)	(76)
Net assets, beginning of year	484	560
<b>Net assets, end of year</b>	<b>\$ 383</b>	<b>\$ 484</b>

## 5. INVESTMENTS & INVESTMENT INC (LOSS)

Investments consist of the following:

	<b>Society</b>	<b>Foundation</b>	<b>Combined</b>
<b>2009</b>			
Fixed income:			
Mutual Funds	\$ 3,932	\$ 955	\$ 4,887
Equity: Mutual Funds	5,204	3,696	8,900
<b>Total</b>	<b>\$ 9,136</b>	<b>\$ 4,651</b>	<b>\$ 13,787</b>

### **2008**

Fixed income:			
Mutual Funds	\$ 4,138	\$ 1,697	\$ 5,835
Equity: Mutual Funds	8,450	5,793	14,243
<b>Total</b>	<b>\$ 12,588</b>	<b>\$ 7,490</b>	<b>\$ 20,078</b>

# notes to the **Combining Financial Statements**

(Amounts Expressed In Thousands)

Investment income (loss) consists of the following:

	<b>Society</b>	<b>Foundation</b>	<b>Combined</b>
<b>2009</b>			
Interest and dividends	\$ 531	\$ 214	\$ 745
Net realized and unrealized losses	(3,507)	(2,309)	(5,816)
Investment loss	(2,976)	(2,095)	(5,071)
Less investment expenses	(33)	(28)	(61)
<b>Investment loss, net</b>	<b>\$(3,009)</b>	<b>\$(2,123)</b>	<b>\$(5,132)</b>

## 2008

Interest and dividends	\$ 932	\$ 849	\$ 1,781
Net realized and unrealized losses	(461)	(990)	(1,451)
Investment income (loss)	471	(141)	330
Less investment expenses	(41)	(48)	(89)
<b>Investment income (loss), net</b>	<b>\$ 430</b>	<b>\$(189)</b>	<b>\$ 241</b>

The fair value of these assets is based on Level 1 measurements. Level 1 fair value measurements are quoted prices in active markets for identical assets that the reporting entity has the ability to access at the measurement date.

## 6. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<b>Society</b>	<b>Foundation</b>	<b>Combined</b>
<b>2009</b>			
Equipment	\$ 1,086	\$ 661	\$ 1,747
Software	994	631	1,625
Furniture	258	61	319
Leasehold improvements	695	14	709
<b>Total</b>	<b>3,033</b>	<b>1,367</b>	<b>4,400</b>

Less accumulated depreciation and amortization	(2,696)	(1,165)	(3,861)
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<b>Property and equipment, net</b>	<b>\$ 337</b>	<b>\$ 202</b>	<b>\$ 539</b>
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## 2008

Equipment	\$ 1,050	\$ 734	\$ 1,784
Software	983	573	1,556
Furniture	257	61	318
Leasehold improvements	679	4	683
<b>Total</b>	<b>2,969</b>	<b>1,372</b>	<b>4,341</b>

Less accumulated depreciation and amortization	(2,412)	(1,160)	(3,572)
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<b>Property and equipment, net</b>	<b>\$ 557</b>	<b>\$ 212</b>	<b>\$ 769</b>
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## 7. DEFERRED REVENUES

Deferred revenues consist of the following:

	<b>Society</b>	<b>Foundation</b>	<b>Combined</b>
<b>2009</b>			
Dues	\$ 6,245	\$ —	\$ 6,245
Peer review registration fees	605	—	605
Advertising	317	—	317
Registration fees	—	2,505	2,505
<b>Total</b>	<b>\$ 7,167</b>	<b>\$ 2,505</b>	<b>\$ 9,672</b>

## 2008

Dues	\$ 5,880	\$ —	\$ 5,880
Peer review registration fees	498	—	498
Advertising	215	—	215
Registration fees	—	2,703	2,703
<b>Total</b>	<b>\$ 6,593</b>	<b>\$ 2,703</b>	<b>\$ 9,296</b>

## 8. OPERATING LEASE COMMITMENTS

The Society and CAMICO lease office space for their corporate headquarters under non-cancelable operating leases expiring in July 2010. GIT and the Foundation sublease a portion of the office space for their corporate headquarters under non-cancelable sublease agreements with the Society and CAMICO, respectively, also expiring in July 2010. Sublease payments are based on square footage occupied.

The Society also leases office space in San Diego, Sacramento and Glendale under non-cancelable operating leases expiring in June 2011, April and November of 2013, respectively.

Future minimum lease payments under these agreements, net of minimum sublease receipts from GIT that total \$165, are as follows:

	<b>Society</b>	<b>Foundation</b>	<b>Combined</b>
<b>Year ending April 30,</b>			
2010	\$ 775	420	1,195
2011	408	324	732
2012	288	—	288
2013	280	—	280
2014	72	—	72
<b>Total</b>	<b>\$ 1,823</b>	<b>\$ 744</b>	<b>\$ 2,567</b>

Rent expense, recorded net of the portion of the Society's lease paid by GIT, is as follows:

	<b>2009</b>	<b>2008</b>
Society	\$ 697	\$ 674
Foundation	396	371
<b>Combined</b>	<b>\$ 1,093</b>	<b>\$ 1,045</b>

## 9. RETIREMENT PLANS

### Defined Benefit Pension Plan

The Society sponsored a defined benefit pension plan for substantially all full-time employees of the Society and the Foundation. Effective May 31, 2003, the defined benefit pension plan was frozen, and was closed to further benefit accrual or new participants. On December 7, 2007, the Society authorized the termination of the plan and subsequently settled the accumulated benefit obligation of \$8,928 by purchasing nonparticipating annuity contracts for its retirees, and allowing for lump sum distributions for active and deferred vested participants, during the fiscal year ended April 30, 2009. Upon final distribution, the actual amount distributed exceeded the prior year's accrued pension liability by approximately \$266 and \$106 for the

# notes to the Combining Financial Statements

(Amounts Expressed In Thousands)

Society and Foundation, respectively. Defined benefits were not provided under any successor plan. The plan ceased to exist as an entity. The Society's funding policy was to contribute annually an amount not less than the Employee Retirement Income Security Act (ERISA) minimum funding requirement. The following information is based on computations by the plan actuary:

<b>2008</b>	
Net periodic pension expense (income):	
Society	\$ (123)
Foundation	(51)
<b>Total</b>	<b>\$ (174)</b>
Employer contributions	\$ —
Benefits paid	\$ 228

The plan's funded status and balance recognized are as follows:

<b>2008</b>	
Fair value of plan assets as of April 30	\$ 8,253
Projected and accumulated benefit obligation as of April 30	8,928
<b>Funded status</b>	<b>\$ (675)</b>
Accrued pension liability included in the statements of financial position	\$ (700)

The following weighted average assumptions were used in the actuarial computations.

<b>2008</b>	
Benefit obligation at April 30	
Discount rate (See discussion below)	4.37%-5.25%
Rate of compensation increase	N/A
Net periodic pension expense for years ended April 30:	
Discount rate	6.00%
Expected long-term rate of return on plan assets	8.00%
Rate of compensation increase	N/A

The discount rate applicable to active and deferred vested participants was driven by the assumption that 100% would elect a lump sum form of payment upon the plan's termination. The plan was amended to allow lump sums to such participants, subject to the Pension Protection Act (PPA) of 2006. The PPA prescribes segmented interest rates for this purpose, with each of the three rates applicable to a group of expected cash flows based on the time elapsed between the measurement date and the expected date of the cash flow. The expected long-term rate of return on plan assets was developed by adding the weighted average historical risk premiums on the asset classes held in the plan to the long-term expectation of inflation.

The rates were 4.37%, 4.79% and 4.91% respectively, they apply to cash flows occurring within the first 5 years, between 6 and 20 years, and beyond 20 years from the measurement date. The Society elected to use a 2-month lookback period, using rates effective for March 2008. For retired participants, a discount rate of 5.25% was selected by the Society as an approximation for the rate applicable in an annuity purchase.

The expected long-term rate of return on plan assets was developed by adding the weighted average historical risk premiums on the asset classes

held in the plan to the long-term expectation of inflation.

The plan's primary investment objective was principal preservation. To meet this objective, the plan was expected to maintain 100% of its assets in cash equivalents. The actual assets allocations for the plan were as follows:

<b>Asset Category</b>	<b>Actual 2008</b>
Marketable equity securities	0%
Marketable debt securities	0%
Cash equivalents	100%
<b>Total</b>	<b>100%</b>

## Defined Contribution Plan

The Society and the Foundation sponsor a defined contribution plan under IRC Sec. 401(k). All employees at least 21 years of age who have completed one year of service are eligible to participate. Effective May 1, 2003, the Society and the Foundation enhanced the plan and began making matching contributions up to 4% of salary. In addition, all employees, regardless of participation, earn an employer contribution equal to 3% of salary. Employer contributions for 2009 totaled \$265 for the Society and \$127 for the Foundation; and for 2008 totaled \$242 for the Society and \$124 for the Foundation. All employer contributions vest at a rate of 20% per year after five years.

## Deferred Compensation Plan

The Society maintains a deferred compensation plan under IRC Section 457. Deferred compensation assets consist of investments reserved for future payment of deferred compensation liabilities. There are no employer contribution expenses associated with this plan because all current contributions are made only by employees.

## 10. ADVERTISING COSTS

The Foundation's advertising costs consist primarily of catalogs and brochures for events. Other current assets include capitalized advertising costs of \$55 and \$103 as of April 30, 2009 and 2008, respectively. The Society's advertising costs consist primarily of radio advertisements. Advertising costs charged to expense for the years ended April 30, are as follows:

	<b>2009</b>	<b>2008</b>
Society	\$ 409	\$ 447
Foundation	453	657
<b>Combined</b>	<b>\$ 962</b>	<b>\$ 1,104</b>

# notes to the Combining Financial Statements

(Amounts Expressed In Thousands)

## 11. NET ASSETS

The changes in the Society's net assets for the years ended April 30, 2009 and 2008 are as follows:

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
Net assets as of			
April 30, 2008	\$ 11,843	\$ 1,500	\$ 13,343
Changes in net assets	(1,661)	(103)	(1,764)
Net assets as of			
April 30, 2009	\$ 10,182	\$ 1,397	\$ 11,579
Net assets as of			
April 30, 2007	\$ 12,097	\$ 1,393	\$ 13,490
Changes in net assets	(254)	107	(147)
Net assets as of			
April 30, 2008	\$ 11,843	\$ 1,500	\$ 13,343

As of April 30, 2009 and 2008 the net assets of the Society includes \$1,397 and \$1,500 respectively, that are temporarily restricted for scholarships and financial literacy. The net \$103 decrease during the year ended April 30, 2009 is the result of donations and investment depreciation, net of fees, totaling \$273 less administration cost and scholarship distributions of \$376. The net \$107 increase during the year ended April 30, 2008 is the result of donations and investment appreciation, net of fees, totaling \$621, less administration cost and scholarship distributions of \$514. In addition, the Society has designated \$4,500 of its net assets to a building fund as of April 30, 2009 and 2008.

Changes in the unrestricted temporarily restricted and permanently restricted net assets for the years ended April 30, 2009 and 2008 are as follows:

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Net assets				
as of				
April 30, 2008	\$ 5,609	\$ —	\$ 86	\$ 5,695
Changes				
in net assets	(849)	—	(1)	(850)
Net assets				
as of				
April 30, 2009	\$ 4,760	\$ —	\$ 85	\$ 4,845
Net assets				
as of				
April 30, 2007	\$ 6,225	\$ 17	\$ 85	\$ 6,327
Changes				
in net assets	(616)	(17)	1	(632)
Net assets				
as of				
April 30, 2008	\$ 5,609	\$ —	\$ 86	\$ 5,695

As of April 30, 2009 and 2008, the Foundation's permanently restricted net assets were \$85 and \$86, respectively, which represented a restricted endowment for the John F. Forbes Medal Fund. The earnings from this endowment are used to purchase the Forbes medal, which may be granted each year to the candidates in California receiving the highest grade score on the uniform

CPA examination. During the year ended April 30, 2009 the endowment incurred expenses, net of earnings, of \$1 and during the year ended April 30, 2008 the endowment earned \$1. Temporarily restricted net assets of \$0 and \$17 were released from donor restrictions through distribution of doctoral scholarships satisfying the program restrictions as of April 30, 2009 and 2008, respectively.

## 12. CONCENTRATION OF CREDIT RISK

The Society and the Foundation maintain a majority of their cash in money market accounts and money market mutual funds that are not federally insured and in bank deposit accounts that, at times, may exceed federally insured limits. As of April 30, 2009, the Society's cash and cash equivalents were comprised of deposits with a book balance of \$9,113 and had a balance per financial institutions of \$8,972, of which \$8,459 was not insured by the Federal Deposit Insurance Corporation (FDIC). As of April 30, 2009 the Foundation's cash and cash equivalents were comprised of deposits with a book balance of \$3,124 and had a balance per financial institutions of \$2,960, of which \$2,710 was not insured by the FDIC. The organizations have not experienced any losses in such accounts. Management believes the organizations are not exposed to any significant credit risk related to cash and cash equivalents. As of October 3, 2008, the FDIC insurance limit has been increased from \$100,000 per bank to \$250,000 per bank. The increase in the FDIC limit is temporary and is set to expire on December 31, 2013.

## 13. LINE OF CREDIT

The Society and Foundation each entered into revolving loan agreements for borrowings up to \$1,000 at April 30, 2009. Under the agreements, interest is payable monthly at the reference rate announced by the bank from time to time. The revolving loan agreements were executed on November 24, 2008 and mature on November 2, 2009, and there have been no borrowings against the agreements to date. Any borrowings under the revolving loan agreements may be secured by personal property of the Society and Foundation.