



**Teresa
Mason**

CaICPA TREASURER'S REPORT

CalCPA has experienced another excellent year of membership growth and financial success. Revenues exceeded budget primarily due to investment gains, strong chapter events and increased advertising revenue. The rising demand for CPAs in the marketplace has helped fuel increases in print and online advertising. Furthermore, CalCPA's financial literacy initiative, including the very successful California Summit on Financial Literacy held in Sacramento in April, brought in \$178,000 in sponsorships, and scholarship donations exceeded \$409,000. Naturally, an increase in revenues is followed by an increase in expenses. However, continued cost-saving methods kept the expenses in-line with the budget overall.

For example, savings in personnel costs resulting from the decrease in the pension liability offset higher professional fees. The reduced liability was due to both market performance and an actuarial-recommended change in the discount rate from 5.50 percent to 6.25 percent. Professional expenses include the AM4 database conversion costs. Included in the expenses for professional education programs are scholarship distributions of \$247,000.

Investment income and gains, together with the above-mentioned success with chapter events and scholarship activities contributed to an increase of net assets by \$2.7 million, \$1.5 million of which will be added to the board-designated building fund.

CalCPA is committed to continuing to deliver unparalleled member service and a strong financial performance. With a break-even, program-driven budget, CalCPA is well positioned for another successful year.

Teresa Mason, CPA



**Patricia
Cochran**

FOUNDATION TREASURER'S REPORT

It is my pleasure to report on the California CPA Education Foundation's financial results for FY 2005-06. The Foundation continues to provide outstanding continuing education at a reasonable cost to California CPAs and other professionals.

The Foundation ended another year in the more than \$10 million range. Revenues, including investment gains, exceeded budget by \$1.5 million. The original forecast was based on 761 events and 50,535 attendees, and actuals were 779 events and a record breaking 51,736 attendees—907 more attendees than the previous record set in FY 2000-01.

VP attendance increased by 3.6 percent over the previous fiscal year, and coupon use and full-pay attendance increased slightly more than 1 percent each. CPE Products' sales also have grown significantly, due primarily to online offerings.

These changes have affected related expenses as well. Direct expenses exceeded the budget by almost 7 percent. Hotel-related costs, such as facilities and food, have exceeded estimations due to increased costs for space rentals and services.

On the other hand, indirect expenses came in well below budget as a direct result of the reduction in pension liability. The liability was reduced due to both market performance and an actuarial-recommended change in the discount rate from 5.50 percent to 6.25 percent. Additionally, Foundation personnel-related costs decreased due to an increase in shared services with CalCPA.

Investment income and gains of \$1.3 million together with the above-mentioned revenue growth contributed to a net asset increase of \$1.6 million.

The Foundation continues to be a strong organization providing quality service and value and continually succeeding as one of the leading CPE providers in the country.

Patricia Cochran, CPA





INDEPENDENT AUDITOR'S REPORT

To the Council of
The California Society of Certified Public Accountants
To the Board of Trustees
California Certified Public Accountants Education Foundation
Redwood City, California

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, 2006 and 2005, and the related 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 financial statements are free of material misstatement. An audit includes consideration of internal control over the 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, 2006 and 2005, 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 & Company LLP
Certified Public Accountants
Sacramento, California
June 1, 2006

COMBINING STATEMENTS OF FINANCIAL POSITION

The California Society of Certified Public Accountants
California Certified Public Accountants Education Foundation

April 30, 2006 and 2005

(dollars in thousands)

	Society		Foundation		Combined	
	2006	2005	2006	2005	2006	2005
ASSETS						
Current Assets:						
Cash and Equivalents	\$ 5,955	\$ 5,523	\$ 852	\$ 1,083	\$ 6,807	\$ 6,606
Trade Receivables, Net	211	175	133	112	344	287
Other Accounts Receivable	222	121	5	6	227	127
Due From (To) Affiliate	148	61	(148)	(61)		
Other Current Assets	342	323	309	441	651	764
Total Current Assets	6,878	6,203	1,151	1,581	8,029	7,784
Investments	10,828	9,282	7,513	5,820	18,341	15,102
Property and Equipment, Net	752	720	192	243	944	963
Deferred Compensation Assets	353	341			353	341
TOTAL ASSETS	\$ 18,811	\$ 16,546	\$ 8,856	\$ 7,644	\$ 27,667	\$ 24,190
LIABILITIES AND NET ASSETS						
Current Liabilities:						
Accounts Payable	\$ 538	\$ 498	\$ 47	\$ 72	\$ 585	\$ 570
Accrued Expenses	411	361	510	487	921	848
Deferred Revenues	5,722	5,595	1,835	1,884	7,557	7,479
Deferred Lease Costs, Current	34	51	18	6	52	57
Total Current Liabilities	6,705	6,505	2,410	2,449	9,115	8,954
Deferred Lease Costs, Net	369	401	132	150	501	551
Accrued Pension Liability	28	630	13	317	41	947
Deferred Compensation Liability	353	341			353	341
TOTAL LIABILITIES	7,455	7,877	2,555	2,916	10,010	10,793
NET ASSETS						
Unrestricted	10,318	7,898	6,173	4,596	16,491	12,494
Temporarily restricted	1,038	771	47	54	1,085	825
Permanently restricted			81	78	81	78
TOTAL NET ASSETS	11,356	8,669	6,301	4,728	17,657	13,397
TOTAL LIABILITIES AND NET ASSETS	\$ 18,811	\$ 16,546	\$ 8,856	\$ 7,644	\$ 27,667	\$ 24,190

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

COMBINING STATEMENTS OF ACTIVITIES

The California Society of Certified Public Accountants
California Certified Public Accountants Education Foundation

Years Ended April 30, 2006 and 2005

(dollars in thousands)

	Society		Foundation		Combined	
	2006	2005	2006	2005	2006	2005
OPERATING REVENUES:						
Dues	\$ 7,597	\$ 7,476			\$ 7,597	\$ 7,476
Registration Fees			\$ 10,625	\$ 9,984	10,625	9,984
Peer Review Fees	869	884			869	884
Member Meetings and Events	965	965			965	965
Financial Literacy and Scholarships	588	259			588	259
Advertising	1,219	1,025			1,219	1,025
Services To (From) Related Entities	639	614	(153)	(151)	486	463
Royalties and Affinity Programs	107	96	76	71	183	167
Investment Income, Net	1,855	532	1,269	297	3,124	829
Other Income	204	875		119	204	994
TOTAL REVENUES	14,043	12,726	11,817	10,320	25,860	23,046
OPERATING EXPENSES:						
Program Services:						
Member Events:						
Chapters	1,880	2,144			1,880	2,144
Committees	370	453			370	453
Other Activities	1,522	1,745			1,522	1,745
Other Member Services:						
Communications	1,901	1,965			1,901	1,965
Government Relations	804	844			804	844
Professional Education Programs	401	195	9,088	9,241	9,489	9,436
Total Program Services	6,878	7,346	9,088	9,241	15,966	16,587
Supporting Services:						
Management and General	4,118	3,362	1,119	1,190	5,237	4,552
Governance	360	573	37	410	397	983
TOTAL EXPENSES	11,356	11,281	10,244	10,841	21,600	22,122
CHANGE IN NET ASSETS	2,687	1,445	1,573	(521)	4,260	924
NET ASSETS:						
Beginning of Year	8,669	7,224	4,728	5,249	13,397	12,473
End of Year	\$ 11,356	\$ 8,669	\$ 6,301	\$ 4,728	\$ 17,657	\$ 13,397

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

STATEMENTS OF FUNCTIONAL EXPENSES

The California Society of Certified Public Accountants

Years Ended April 30, 2006 and 2005

(dollars in thousands)

2006	Member Events			Other Member Services			Professional Education		Supporting Services		Total
	Chapters	Committees	Other Activities	Communications	Government Relations	Scholarships and Financial Literacy	General	Management and	Governance		
Personnel	\$ 419	\$ 173	\$ 927	\$ 810	\$ 572	\$ 17	\$ 2,554	\$ 100	\$ 100	\$ 5,572	
Supplies and Office Expenses	49	26	140	111	155	32	1,126	20	20	1,659	
Meeting and Event Expenses	1,107	125	42	8		73	29	199	199	1,583	
Occupancy	61	25	136	118	84	-	374	15	15	813	
Printing and Publications	225	13	46	432	7	65	248	21	21	1,057	
Special Projects				353			1			354	
Scholarship Distributions		8	42	36	26	247				247	
Depreciation and Amortization	19		189	33	(40)	(33)	114	5	5	250	
Allocated Expenses							(328)			(179)	
TOTAL	\$ 1,880	\$ 370	\$ 1,522	\$ 1,901	\$ 804	\$ 401	\$ 4,118	\$ 360	\$ 360	\$ 11,356	
2005											
Personnel	\$ 666	\$ 193	\$ 1,023	\$ 923	\$ 624	\$ 3	\$ 2,399	\$ 131	\$ 131	\$ 5,962	
Supplies and Office Expenses	209	32	226	118	146	34	826	224	224	1,815	
Meeting and Event Expenses	1,011	170	41	6	1	10	5	158	158	1,402	
Occupancy	91	26	137	124	84	-	320	18	18	800	
Printing and Publications	140	24	90	393	4	25	104	24	24	804	
Special Projects				345			4			362	
Scholarship Distributions		8	40	36	25	143				143	
Depreciation and Amortization	27		188	20	(40)	(20)	94	5	5	235	
Allocated Expenses							(390)			(242)	
TOTAL	\$ 2,144	\$ 453	\$ 1,745	\$ 1,965	\$ 844	\$ 195	\$ 3,362	\$ 573	\$ 573	\$ 11,281	

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, 2006 and 2005

(dollars in thousands)

2006	Professional Education Programs	Management and General	Governance	Total
Course and Conference Expenses	\$ 5,977	\$	\$	\$ 5,977
Personnel	1,577	702	28	2,307
Brochures	495			495
Supplies and Office Expenses	252	138	3	393
Occupancy	284	77		361
Depreciation and Amortization	129	34		163
Allocated Expenses	263	(84)		179
Other Expenses	111	252	6	369
Total	\$ 9,088	\$ 1,119	\$ 37	\$ 10,244

2005

Course and Conference Expenses	\$ 5,221	\$	\$	\$ 5,221
Personnel	1,668	819	402	2,889
Brochures	448			448
Supplies and Office Expenses	293	118	2	413
Occupancy	304	83		387
Depreciation and Amortization	122	31		153
Allocated Expenses	310	(68)		242
Other Expenses	875	207	6	1,088
Total	\$ 9,241	\$ 1,190	\$ 410	\$ 10,841

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

COMBINING STATEMENTS OF CASH FLOWS

The California Society of Certified Public Accountants
California Certified Public Accountants Education Foundation

Years Ended April 30, 2006 and 2005

(dollars in thousands)

	Society		Foundation		Combined	
	2006	2005	2006	2005	2006	2005
OPERATING ACTIVITIES:						
Increase (Decrease) in Net Assets	\$ 2,687	\$ 1,445	\$ 1,573	\$ (521)	\$4,260	\$ 924
Reconciliation to Net Cash Provided by Operating Activities:						
Net Realized and Unrealized Gains on Investments	(1,335)	(210)	(844)	(132)	(2,179)	(342)
Depreciation and Amortization	250	235	163	153	413	388
Loss on Disposal of Property and Equipment			3		3	
Phase-Out of Intangible Assets				50		50
Changes In:						
Trade and Other Receivables	(137)	(7)	(20)	(11)	(157)	(18)
Due From (To) Affiliate	(87)	(3)	87	3		
Other Current Assets	(19)	70	132	44	113	114
Accounts Payable	40	65	(25)	(132)	15	(67)
Accrued Expenses	50	(8)	23	188	73	180
Deferred Revenues	127	365	(49)	213	78	578
Deferred Lease Costs	(49)	(26)	(6)	10	(55)	(16)
Accrued Pension Liability	(602)	(42)	(304)	240	(906)	198
Net Cash Provided by Operating Activities	925	1,884	733	105	1,658	1,989
INVESTING ACTIVITIES:						
Purchase of Investments	(1,843)	(5,297)	(1,863)	(1,693)	(2,706)	(6,990)
Proceeds From Sale of Investments	1,632	4,294	14	1,552	1,646	5,846
Purchases of Property and Equipment	(282)	(186)	(115)	(83)	(397)	(269)
Proceeds from Sales of Property and Equipment				28		28
Net Cash Used by Investing Activities	(493)	(1,189)	(964)	(196)	(1,457)	(1,385)
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	432	695	(231)	(91)	201	604
CASH AND EQUIVALENTS:						
Beginning of Year	5,523	4,828	1,083	1,174	6,606	6,002
End of Year	\$ 5,955	\$ 5,523	\$ 852	\$ 1,083	\$ 6,807	\$ 6,606

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

1. ORGANIZATION & 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 the 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 program. The activities of the Institute are included in the Society.

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. 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

Allowance for doubtful accounts totaled \$13 for the Society at April 30, 2006 and 2005, and totaled \$6 at April 30, 2006 and 2005 for the Foundation.

INVESTMENTS

Investments are stated at fair value. Unrealized and realized gains and losses are included in the investment amount reported on the combining statements of activities.

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost and depreciated using the straight-line method over estimated useful lives of 3 to 10 years.

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

Other income includes event sponsorships for various state committee meetings and council meetings and conferences.

ADVERTISING COSTS

Advertising costs consist primarily of 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 accompanying 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 of functional expenses. Accordingly, certain costs have been allocated among the program services and supporting services based on estimates of employees' time incurred and on usage of resources.

RECLASSIFICATIONS

Certain amounts presented in the prior year have been reclassified in order to be consistent with the current year's presentation. Such reclassification has no effect on the prior year net assets.

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.

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 also sells 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 \$37 and \$14 due from CAMICO as of April 30, 2006 and 2005, respectively, are included in the Society's other accounts receivable. Services purchased by CAMICO, net of expenses allocated from CAMICO, totaled \$176 for 2006 and \$193 for 2005.

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 \$48 and \$88 due from GIT are included in the Society's other accounts receivable as of April 30, 2006 and 2005, respectively. Services purchased and expenses allocated for GIT totaled \$228 for 2006 and \$279 for 2005.

3. THE INSTITUTE

The activities of CalCPA Institute are reflected in the financial statements of the Society. This entity was formed to account for scholarships activities and financial literacy programs. Its revenues, expenses, and net assets for 2006 and 2005 are as follows:

	<u>2006</u>	<u>2005</u>
Current assets	\$ 488	\$ 111
Noncurrent assets	873	771
Total Assets	1,361	882
Current Liabilities	189	9
Revenue:		
Scholarship donations	409	220
Financial literacy donations	178	11
Investment and other income	112	69
Total Revenue	699	300
Expenses:		
Administration expenses	153	52
Scholarship distributions	247	143
Change in net assets	299	105
Net assets, beginning of year	873	768
Net assets, end of year	\$ 1,172	\$ 873

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:

	<u>2006</u>	<u>2005</u>
Revenues:		
Registration fees	\$ 702	\$ 704
Processing and review fees	167	180
Total peer review fees	869	884
Interest income	31	13
Other income	13	12
Total revenue	913	909
Expenses:		
Reviewer costs and operating expenses	929	925
Change in net assets	(16)	(16)
Net assets, beginning of year	506	522
Net assets, end of year	\$ 490	\$ 506

5. INVESTMENTS

Investments consist of the following:

	<u>Society</u>	<u>Foundation</u>	<u>Combined</u>
2006			
Debt securities	\$ 4,148	1,268	5,416
Equity securities	6,680	6,245	12,925
Total	\$ 10,828	\$ 7,513	\$ 18,341
2005			
Debt securities	3,874	1,186	5,060
Equity securities	5,408	4,634	10,042
Total	\$ 9,282	\$ 5,820	\$ 15,102

Investment income (loss) consists of the following:

	<u>Society</u>	<u>Foundation</u>	<u>Combined</u>
2006			
Interest and dividends	\$547	\$459	\$1,006
Net realized and unrealized gains	1,335	844	2,179
Investment income	1,882	1,303	3,185
Less investment expenses	(27)	(34)	(61)
Investment income, net	\$1,855	\$ 1,269	\$ 3,124
2005			
Interest and dividends	\$349	\$198	\$547
Net realized and unrealized gains	210	132	342
Investment income	559	330	889
Less investment expenses	(27)	(33)	(60)
Investment income (loss), net	\$ 532	\$ 297	\$ 829

6. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>Society</u>	<u>Foundation</u>	<u>Combined</u>
2006			
Equipment	\$ 892	\$ 636	\$ 1,528
Software	822	526	1,348
Furniture	225	61	286
Leasehold improvements	672	-	672
Total	2,611	1,223	3,834
Less accumulated depreciation and amortization	(1,859)	(1,031)	(2,890)
Property and equipment, net	\$ 752	\$ 192	\$ 944
2005			
Equipment	\$ 831	\$ 546	\$ 1,377
Software	700	510	1,210

Furniture	232	61	293
Leasehold improvements	668	—	668
Total	2,431	1,117	3,548
Less accumulated depreciation and amortization	(1,711)	(874)	(2,585)
Property and equipment, net	\$ 720	\$ 243	\$ 963

7. DEFERRED REVENUES

Deferred revenues consist of the following:

Society:	2006	2005
Dues	\$ 4,883	\$ 4,878
Peer review registration fees	550	550
Advertising	206	167
Annual meeting fees	83	—
Society total	5,722	5,595
Foundation:		
Registration fees, including Value Pricing (VP) program	1,835	1,884
Combined	\$ 7,557	\$ 7,479

8. OPERATING LEASE OBLIGATIONS

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 Sacramento and Glendale under non-cancelable operating leases expiring in February and November of 2008, respectively.

Future minimum lease payments under these agreements, net of minimum sublease receipts from GIT, are as follows:

Year ending April 30:	Society	Foundation	Combined
2007	\$ 692	\$ 389	\$ 1,081
2008	678	404	1,082
2009	536	420	956
2010	500	436	936
2011	126	111	237
Total	\$ 2,532	\$ 1,760	\$ 4,292

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

	2006	2005
Society	\$ 671	\$ 671
Foundation	372	372
Combined	\$ 1,043	\$ 1,043

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 has been frozen, and is therefore closed to further benefit accrual or new participants. The Society's funding policy is to contribute annually an amount not less than the ERISA minimum funding requirement. The following information is based on computations by the plan actuary:

	2006	2005
Net periodic pension expense:		
Society	\$ (45)	\$ 97
Foundation	(22)	30
Total	\$ (67)	\$ 127
Employer contributions	\$ 403	\$ 471
Benefits paid	\$ 197	\$ 99

The plan's funded status is as follows:

	2006	2005
Fair value of plan assets		
as of April 30	\$ 7,156	\$ 5,875
Projected benefit obligation		
as of April 30	7,197	6,822
Funded status	\$ (41)	\$ (947)
Accrued pension liability		
included in the statements of financial position	\$ (41)	\$ (947)

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

	2006	2005
Benefit obligation at April 30:		
Discount rate	6.25%	5.50%
Rate of compensation increase	N/A	N/A
Net periodic pension expenses for years ended April 30:		
Discount rate	5.50%	6.25%
Expected long-term rate of return on plan assets	8.00%	8.00%
Rate of compensation increase	N/A	N/A

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 is a balance among capital appreciation, preservation of capital, and current income, with a goal of attaining an 8% annual rate of return net of fees. To meet this objective, the plan is expected to maintain between 50% and 70% of its assets in marketable equity securities and the remainder mostly in marketable debt securities. The actual and projected assets allocations for the plan are as follows:

Asset category	Target	Actual	Actual
	2007	2006	2005
Marketable equity securities	60%	62%	60%
Marketable debt securities	38%	37%	39%
Cash equivalents	2%	1%	1%
Total	100%	100%	100%

Expected employer contributions are \$275 for the year ending April 30, 2006 and are due in 2007.

Expected benefit payments for the next ten years are as follows:

2007	\$ 231
2008	296
2009	339
2010	360
2011	383
2012-2016	2,136

The amounts reported as nonoperating loss on accumulated defined benefit pension obligation in 2005 have been reclassified as operating expenses in the current year to conform to the 2006 presentation.

Defined Contribution Plan

The Society and the Foundation sponsor a defined contribution plan under IRC Section 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 2006 totaled \$266 for the Society and \$137 for the Foundation; and for 2005 totaled \$262 for the Society and \$123 for the Foundation. All employer contributions vest at a rate of 20% per year.

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 \$150 and \$162 as of April 30, 2006 and 2005, respectively. Advertising costs charged to expense for the years ended April 30, are as follows:

	<u>2006</u>	<u>2005</u>
Society	\$ 354	\$ 345
Foundation	495	448
Combined	\$ 849	\$ 793

11. NET ASSETS

During the year ended April 30, 2006, management determined that in the previous years the Foundation's temporarily restricted and permanently restricted net assets were understated. Therefore the following restatement was made at April 30, 2004. In addition, changes in the unrestricted, temporarily restricted and permanently restricted net assets for the years ended April 30, 2005 and 2006 are summarized below.

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Net assets as previously reported April 30, 2004:	\$ 4,628	\$ 621	\$
Net effect of adjustment	(199)	122	77
Net assets as restated April 30, 2004	4,429	743	77

Changes in net assets before scholarships transfer	167	79	1
Institute scholarship transfer		(768)	
Net assets as of April 30, 2005	4,596	54	78
Change in net assets	1,577	(7)	3
Net assets as of April 30, 2006	6,173	47	81

As of April 30, 2006 and 2005, the Foundation's permanently restricted net assets were \$81 and \$78, 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 should be granted each year to the candidates in California receiving the highest grade score on each of the uniform CPA examination. During the years ended April 30, 2006 and 2005 the endowment earned \$3 and \$1, respectively.

As of April 30, 2006 and 2005 the net assets of the Society includes approximately \$1,038 and \$771, respectively that are temporarily restricted for scholarships. The net \$267 increase during the year ended April 30, 2006 is the result of donations and investment appreciation, net of fees, totaling \$668, less administration cost and scholarship distributions of \$401. In the year ended April 30, 2005, scholarship funds in the amount of \$768 were transferred from the Foundation to the Society. During the year ended April 30, 2005, those funds earned \$3 in investment income. In addition, the Society has designated \$2,000 of its net assets to a building fund as of April 30, 2006 and 2005.

The changes in the Society's net assets for the years ended April 30, 2005 and 2006 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
Net assets as of April 30, 2004	\$ 7,224	\$
Changes in net assets before scholarships transfer	674	3
Institute scholarships transfer		768
Net assets as of April 30, 2005	7,898	771
Changes in net assets	2,420	267
Net assets as of April 30, 2006	\$ 10,318	\$ 1,038

12. CONCENTRATION OF CREDIT RISK

The Society and the Foundation maintain a majority of their cash in money market accounts that are not federally insured and in bank deposit accounts that, at times, may exceed federally insured limits. As of April 30, 2006 the Society's cash and cash equivalents was comprised of deposits with a book balance of \$5,955 and had a balance per financial institutions of \$5,932, of which \$5,571 was not insured by the Federal Deposit Insurance Corporation (FDIC) or the Security Investor Protection Corporation (SIPC). As of April 30, 2006 the Foundation's cash and cash equivalents was comprised of deposits with a book balance of \$852 and had a balance per financial institutions of \$739, of which \$639 was not insured by the Federal Deposit Insurance Corporation (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.