The Financial Planning Association and Subsidiaries

Consolidated Financial Statements and Supplementary Information

Years Ended May 31, 2011 and 2010

(With Independent Auditor's Report Thereon)

Kundinger, Corder & Engle, P.C.

Certified Public Accountants
475 Lincoln Street, Suite 200
Denver, Colorado 80203

Phone (303) 534-5953
Fax (303) 892-7776
Email mail@kcedenver.com

Independent Auditor's Report

Board of Directors
The Financial Planning Association and Subsidiaries:

We have audited the accompanying consolidated statements of financial position of the Financial Planning Association and Subsidiaries (the Association) as of May 31, 2011 and 2010, and the related consolidated statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Financial Planning Association and Subsidiaries as of May 31, 2011 and 2010, and the changes in their net assets and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary consolidating information included in Schedules 1 and 2 is presented for purposes of additional analysis of the financial statements rather than to present the financial position and results of operations of the individual companies and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Kundinger, Corder & Engle, P.C.

October 13, 2011

The Financial Planning Association and Subsidiaries

Consolidated Statements of Financial Position

May 31, 2011 and 2010

		2011	2010
Assets			
Current assets:			
Cash and cash equivalents	$	2,578,596	1,927,951
Short-term investments (notes 3 and 4)		1,792,370	2,485,007
Receivables, net of allowance for doubtful accounts of $8,353 and $70,074		257,471	167,516
Deposits and prepaid expenses (note 2)		524,032	536,311
Total current assets		5,152,469	5,116,785
Property and equipment:			
Office furniture and equipment		744,390	750,155
Software and website development costs (note 10)		2,067,887	2,022,942
Leasehold improvements		81,889	81,889
		2,894,166	2,854,986
Less accumulated depreciation and amortization		2,570,570	2,086,275
Property and equipment, net		323,596	768,711
Long-term assets:			
Investments (notes 3 and 4)		3,748,681	2,513,799
Total assets	$	9,224,746	8,399,295
Liabilities and Net Assets			
Current liabilities:			
Accounts payable and accrued expenses	$	891,467	495,272
Accrued benefits, taxes and severance		374,717	391,927
Deferred rent, current		31,203	89,373
Deferred revenue (note 5)		5,457,977	5,545,967
Total current liabilities		6,755,364	6,522,539
Deferred rent, long-term		-	23,428
Total liabilities		6,755,364	6,545,967
Net assets:			
Unrestricted		2,469,382	1,808,698
Temporarily restricted (note 9)		-	44,630
Total net assets		2,469,382	1,853,328
Commitments and contingencies (notes 6 and 7)			
Total liabilities and net assets	$	9,224,746	8,399,295

See accompanying notes to consolidated financial statements.

The Financial Planning Association and Subsidiaries

Consolidated Statements of Activities

Years Ended May 31, 2011 and 2010

	2011	2010
Operating Revenue:		
Membership, community and research	$ 7,942,482	8,120,236
Institutional membership and sponsorship	492,713	561,240
Corporate mailing lists	20,530	33,422
Product sales and exam processing fees	87,291	120,905
Annual conference	2,666,538	2,666,544
Other conferences and educational seminars	779,987	815,579
Chapter relations	154,242	111,075
Publications and website	1,483,803	1,414,567
Miscellaneous income	3,118	3,487
Released from restrictions (note 9)	153,155	288,435
Total operating revenue	13,783,859	14,135,490
Expenses:		
Program services:		
Membership, community and research	1,771,240	1,934,026
Institutional membership	315,675	504,374
Product sales and exam processing	106,687	112,976
Annual conference	1,500,462	1,595,375
Other conferences and educational seminars	693,701	791,360
Public relations and communications	609,044	594,556
Government relations	580,463	758,732
Chapter relations	1,719,090	1,750,053
Publications and website	2,219,394	2,174,414
National Financial Planning Support Center (note 9)	150,915	250,513
Total program expenses	9,666,671	10,466,379
Supporting services:		
Administration	2,662,517	2,836,067
Executive and board	628,875	602,010
Total supporting services	3,291,392	3,438,077
Total operating expenses	12,958,063	13,904,456
Change in unrestricted net assets, operating	825,796	231,034
Branding initiative expenses	(530,565)	-
Coalition expenses	(176,792)	(131,400)
Net gain on investments (note 3)	542,245	458,779
Change in unrestricted net assets	660,684	558,413
Temporarily restricted contributions net of releases from restrictions (note 9)	(44,630)	(59,185)
Change in net assets	616,054	499,228
Net assets at beginning of year	1,853,328	1,354,100
Net assets at end of year	$ 2,469,382	1,853,328

See accompanying notes to consolidated financial statements.

The Financial Planning Association and Subsidiaries

Consolidated Statements of Cash Flows

Years Ended May 31, 2011 and 2010

		2011	2010
Cash flows from operating activities:			
Membership services	$	7,838,619	7,904,339
Corporate membership		525,888	516,501
Corporate mailing lists		35,476	27,471
Product sales and exam processing fees		82,824	121,285
Annual Conference		2,824,916	2,566,001
Other conferences and seminars		725,194	797,702
Chapter relations		137,087	134,100
Publications and website		1,288,349	1,584,188
Grants		108,525	229,250
Miscellaneous income		110,934	62,713
Cash paid to suppliers and employees		(12,806,582)	(13,603,351)
Income taxes paid		(20,362)	(6,070)
Net cash provided by operating activities		850,868	334,129
Cash flows from investing activities:			
Dividends reinvested		(107,569)	(59,227)
Acquisitions of property and equipment		(92,654)	(138,886)
Net cash used by investing activities		(200,223)	(198,113)
Net increase in cash and cash equivalents		650,645	136,016
Cash and cash equivalents at beginning of year		1,927,951	1,791,935
Cash and cash equivalents at end of year	$	2,578,596	1,927,951
Reconciliation of change in net assets to net cash provided by operating activities:			
Change in net assets	$	616,054	499,228
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation and amortization		537,769	562,914
Realized and unrealized gains on investments		(434,676)	(399,553)
Decrease (increase) in:			
Receivables		(89,955)	150,166
Deposits and prepaid expenses		12,279	81,759
Increase (decrease) in:			
Accounts payable and accrued expenses		378,985	(161,496)
Deferred rent credits		(81,598)	(64,962)
Deferred revenue		(87,990)	(333,927)
Net cash provided by operating activities	$	850,868	334,129

See accompanying notes to consolidated financial statements.

(1) Summary of Significant Accounting Policies

(a) Organization and Principles of Consolidation

The Financial Planning Association (the Association) is a not-for-profit corporation formed by the merger of the Institute for Certified Financial Planners (ICFP) and the International Association for Financial Planning, Inc. (IAFP). The primary aim of the Association is to be the community that fosters the value of financial planning and advances the financial planning profession. The Association maintains offices in Denver and Washington D.C.

The financial statements of the Association include its wholly-owned subsidiary, the Financial Services Information Company (FSIC). FSIC is a for-profit corporation incorporated in Georgia, which publishes the *Journal of Financial Planning*.

In addition, the National Financial Planning Support Center (the Center) is a not-for-profit corporation organized to carry out the charitable activities of the Association. Because the Center is under the control of the Association, it is included in these financial statements.

All significant intercompany balances and transactions have been eliminated in consolidation.

Chapters of the Association are operated independently and are not included in these financial statements.

(b) Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

(c) Financial Statement Presentation

Information regarding its financial position and activities of the Association is reported according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. The Association had no permanently restricted net assets at May 31, 2011 or 2010.

(1) Summary of Significant Accounting Policies, Continued

(d) Cash and Cash Equivalents

The Association considers all highly liquid investments with a maturity of three months or less when purchased, and which are not held by outside investment managers as part of an investment portfolio, to be cash equivalents. Money market funds held as a part of the Association's investment portfolio are not considered to be cash equivalents for purposes of the statements of cash flows and are shown as short-term investments in the financial statements.

(e) Fair Value Measurements

The Association follows the *Fair Value Measurements and Disclosures* Topic which requires the use of a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels: quoted market prices in active markets for identical assets and liabilities (Level 1), inputs other than quoted market prices that are observable for the asset or liability, either directly or indirectly (Level 2), and unobservable inputs from the asset or liability (Level 3). As described in Note 4, the Association has only Level 1 investments.

(f) Accounts Receivable

Accounts receivable represent amounts due resulting from the performance of services provided to other organizations and individuals. The allowance for doubtful accounts is based on past experience and on analysis of the collectibility of current accounts receivable. Accounts deemed uncollectible are charged to the allowance in the year they are deemed uncollectible. Accounts receivable are considered to be past due based on contractual terms.

(g) Concentrations of Credit Risk

Financial instruments that potentially subject the Association to concentrations of credit risk consist principally of cash and cash equivalents, investments, and accounts receivable. The Association places its cash and cash equivalents with creditworthy, high-quality, financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to $250,000. At times, a portion of the funds are not insured by the FDIC or related entity. The portion of funds that are not FDIC insured are swept nightly into U.S. Treasury Repurchase Agreements.

The Association has significant investments in stocks and bonds and is therefore subject to concentrations of credit risk. Investments are made by investment managers engaged by the Association and the investments are monitored by the management, Investment Committee, and Board of Directors of the Association. Though market values of investments are subject to fluctuation on a year-to-year basis, management believes the investments are prudent for the long-term welfare of the Association.

(1) Summary of Significant Accounting Policies, Continued

(g) Concentrations of Credit Risk, Continued

Accounts receivable concentration of credit risk is limited as the Association's customer base is spread throughout the country with no significant balances due from any single entity.

(h) Investments

The Association reports investments at fair value. Fair value is determined as more fully described under the fair value measurements policy. The Association's management is responsible for the fair value measurement of investments reported in the financial statements and believes that the reported values are reasonable.

(i) Contributed Services

Contributed services are recorded if they create or enhance nonfinancial assets or require specialized skills that are provided by an individual possessing those skills and would typically need to be purchased if not provided by donation. A significant portion of the Association's functions, which are conducted by unpaid volunteers, is not reflected in the accompanying financial statements since a significant portion of volunteers' time does not meet the criteria for recognition.

(j) Property and Equipment

Property and equipment are stated at cost. The Association capitalizes all fixed asset purchases over $1,000 with an estimated life of three years or more. Depreciation on property and equipment is calculated on the straight-line method over a three to five-year estimated useful life. Leasehold improvements are amortized over the life of the office lease.

(k) Revenue Recognition

Dues from members and journal subscriptions are included as revenue ratably over the term of membership or subscription. Fees and advertising income are recognized in the year in which they are earned. Dues, fees and event sponsorships received but not earned are included in deferred revenue.

(l) Deferred Rent Credits

The Association recognizes rent expense on office space using a straight-line method over the term of the lease. Differences between expense for financial reporting purposes and payments under the terms of the lease are recorded as deferred rent credits.

(1) Summary of Significant Accounting Policies, Continued

(m) Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the accompanying financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

(n) Advertising

The Association uses advertising to promote certain programs and products. The costs of advertising are expensed as incurred. During the years ended May 31, 2011 and 2010, promotional advertising costs totaled $434,687 and $404,284, respectively.

(o) Use of Estimates

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

(p) Income Taxes

The Association is exempt from income taxes under Internal Revenue Code Section 501(c)(6). Accordingly, only that income arising from unrelated business sources is subject to income taxes. The Association had unrelated taxable income related to its advertising activities totaling $51,683 and $53,836 for the years ended May 31, 2011 and 2010 and paid income tax expense totaling $20,362 in 2011 and $6,070 in 2010.

The Center (note 9) is exempt from income taxes under Internal Revenue Code Section 501(c)(3). Accordingly, only that income arising from unrelated business sources is subject to income taxes. The Center had no taxable income for the years ended May 31, 2011 or 2010.

FSIC is a taxpaying entity, subject to federal and state income taxes at the applicable corporate rates. At May 31, 2010, FSIC had a net operating loss carryover of $304,706 which was used during the year ended May 31, 2011. At May 31, 2011, FSIC recorded a tax liability of $160,000.

(1) Summary of Significant Accounting Policies, Continued

(p) Income Taxes, Continued

The Association, Center, and FSIC adopted the *Accounting for Uncertainty in Income Taxes* accounting standard which requires each of the entities to determine whether a tax position (and the related tax benefit) is more likely than not to be sustained upon examination by the applicable taxing authority, based solely on the technical merits of the position. The Association, Center and FSIC believe they have appropriate support for any tax positions taken, and as such, do not have any uncertain tax positions that are significant to the financial statements. The Association's and Center's *Returns of Organization Exempt from Income Tax* (Forms 990); the Association's *Exempt Organization Business Income Tax Return* (Form 990-T); and FSIC's *U.S. Corporate Income Tax Return* (Form 112) for the previous three years are subject to examination by the IRS, generally for three years after initial filing.

(q) Subsequent Events

Management is required to evaluate, through the date the financial statements are issued or available to be issued, events or transactions that may require recognition or disclosure in the financial statements, and to disclose the date through which subsequent events were evaluated. The Association's financial statements were available to be issued on October 13, 2011 and this is the date through which subsequent events were evaluated.

(2) Deposits and Prepaid Expenses

Deposits and prepaid expenses at May 31 consisted of the following:

	2011	2010
Prepaid conference expenses	$ 103,365	130,824
Prepaid *Journal* expenses	34,051	36,886
Prepaid rent and deposits	48,456	46,911
Other prepaid expenses	338,160	321,690
Total	$ 524,032	536,311

(3) Investments

Long-term investments at May 31 consisted of the following:

	2011	2010
Mutual funds invested in debt and fixed income securities	$ 951,380	1,024,817
Mutual funds invested in equity securities	2,797,301	1,488,982
Total investments	$ 3,748,681	2,513,799

In addition, the Association held money market accounts totaling $1,792,370 and $2,485,007 at May 31, 2011 and 2010, respectively, which are included as short-term investments in the financial statements.

The Association considers its return on investments to be non-operating income. Investment return for the years ended May 31 is summarized as follows:

	2011	2010
Interest and dividend income	$ 107,569	59,226
Net realized and unrealized gain on investments	434,676	399,553
Total investment return	$ 542,245	458,779

(4) Fair Value Measurements

The carrying amounts reported in the statements of financial position for cash and cash equivalents, accounts receivable, and accounts payable and accrued expenses, approximate fair value because of the immediate or short-term maturities of these financial instruments. Fair values of assets measured on a recurring basis at May 31, 2011 and 2010 are as follows:

	2011 Fair Value	(Level 1)	(Level 2)	(Level 3)
Mutual funds	$ 3,748,681	3,748,681	-	-
Money market accounts	1,792,370	1,792,370	-	-
Total	$ 5,541,051	5,541,051	-	-

	2010 Fair Value	(Level 1)	(Level 2)	(Level 3)
Mutual funds	$ 2,513,799	2,513,799	-	-
Money market accounts	2,485,007	2,485,007	-	-
Total	$ 4,998,806	4,998,806	-	-

(5) Deferred Revenue

Deferred revenue at May 31 consisted of the following:

	2011	2010
Unearned dues	$ 4,086,478	4,144,905
Unearned exhibitor/sponsor/registration fees	1,199,492	1,080,973
Unearned subscriptions	24,753	41,146
Unearned advertising	87,723	202,876
Other deferred revenue	59,531	76,067
Total	$ 5,457,977	5,545,967

(6) Leases

The Association rents office space and equipment under non-cancelable operating leases which extend through February 28, 2019. Future minimum lease payments are as follows:

Fiscal year ending May 31:

2012	$ 293,980
2013	357,703
2014	353,623
2015	361,396
2016 and thereafter	1,196,541
Total minimum lease payments	$ 2,563,243

Total expense for operating leases for the year ended May 31, 2011 was $357,749 for office space and $75,465 for equipment. Expense for the year ended May 31, 2010 was $352,075 for office space and $86,486 for equipment.

(7) Employee Benefit Plans

During 2000, the Association adopted a tax deferred employee profit sharing plan (the Plan) under the provisions of Internal Revenue Code Section 401(k). Eligible employees may elect to defer compensation up to the statutory limit. The Association matches 50% of employee contributions on behalf of each participant, contributing up to 6% of employee compensation. For the years ended May 31, 2011 and 2010, 401(k) expense totaled $82,148 and $180,689, respectively. In addition, the Association contributes a percentage of employees' wages into the Plan as determined by the Board of Directors. For the years ended May 31, 2011 and 2010, the Board of Directors suspended this discretionary contribution.

(8) Related Party Transactions

Foundation for Financial Planning

The Foundation for Financial Planning (FFP) is an educational foundation aligned with the interests of the Association. During the year ended May 31, 2009, $198,000 had been conditionally granted to the Center by FFP, but not recorded because the conditions were not met. However, conditions were met during 2010 and the grant was recorded. During fiscal 2010, FFP made a conditional grant to the Center of $125,000. As of May 31, 2010, conditions had been met on $31,250 on the grant and recorded as revenue. During the year ended May 31, 2011, all of the conditions were met, and the remaining $93,750 of the grant was recorded.

Chapters

The Association paid $1,369,414 and $1,371,994 of national membership dues to local chapters as part of its chapter reimbursement program in the years ended May 31, 2011 and 2010, respectively.

(9) The National Financial Planning Support Center

The National Financial Planning Support Center is a Colorado nonprofit corporation formed to administer funds raised for educational purposes and other charitable purposes. During the year ended May 31, 2011, the Center received a total of $107,557 in restricted grants. The Center expended $152,184 for the restricted purposes of those grants and other grants received in prior years. A total of $150,915 was used to support program services, while $1,269 was used for supporting services expenses. During the year ended May 31, 2010, the Center received a total of $229,250 in restricted grants. The Center expended $290,451 for the restricted purposes of those grants and other grants received in prior years. A total of $250,513 was used to support program services, while $39,938 was used for supporting services expenses. Unspent grant funds are considered restricted and are included in temporarily restricted net assets at May 31, 2011 and 2010.

(10) Website Development Costs

During the year ended May 31, 2007, the Association began work on the redevelopment of its website. The website was completed and placed into service during July 2008. During the year ended May 31, 2010 and 2011, no additional improvements were made to the website which were capitalized. However, software totaling $81,383 was purchased and capitalized.

The Financial Planning Association
And Subsidiaries
Supplemental Consolidating Schedule of Financial Position
May 31, 2011

Assets		The Financial Planning Association	The Financial Services Information Company	National Financial Planning Support Center	Consolidating and Eliminating Entries	Total
Current assets:						
Cash and cash equivalents	$	1,825,346	691,666	61,584	-	2,578,596
Short-term investments		1,792,370	-	-	-	1,792,370
Receivables, net		172,624	84,847	-	-	257,471
Intercompany receivables		82,918	-	-	(82,918)	-
Deposits and prepaid expenses		489,981	34,051	-	-	524,032
Total current assets		4,363,239	810,564	61,584	(82,918)	5,152,469
Property and equipment:						
Office furniture and equipment		715,127	29,263	-	-	744,390
Software and website development		2,067,887	-	-	-	2,067,887
Leasehold improvements		81,889	-	-	-	81,889
		2,864,903	29,263	-	-	2,894,166
Less accumulated depreciation		2,545,407	25,163	-	-	2,570,570
Property and equipment, net		319,496	4,100	-	-	323,596
Long term assets:						
Investments		3,748,681	-	-	-	3,748,681
Investment in subsidiary		8,024	-	-	(8,024)	-
Total long term assets		3,756,705	-	-	(8,024)	3,748,681
Total assets	$	8,439,440	814,664	61,584	(90,942)	9,224,746
Liabilities and Net Assets						
Current liabilities:						
Accounts payable and accrued expenses	$	731,467	160,000	-	-	891,467
Intercompany payables		-	45,763	37,155	(82,918)	-
Accrued benefits, taxes and severance		374,717	-	-	-	374,717
Deferred rent		31,203	-	-	-	31,203
Deferred revenue		5,351,576	106,401	-	-	5,457,977
Total liabilities		6,488,963	312,164	37,155	(82,918)	6,755,364
Unrestricted net assets		1,950,477	502,500	24,429	(8,024)	2,469,382
Total liabilities and net assets	$	8,439,440	814,664	61,584	(90,942)	9,224,746

See accompanying independent auditor's report.

The Financial Planning Association and Subsidiaries
Supplemental Consolidating Schedule of Activities
Year Ended May 31, 2011

	The Financial Planning Association	The Financial Services Information Company	National Financial Planning Support Center	Consolidating and Eliminating Entries	Consolidated
Operating Revenue					
Membership, community and research	$ 7,942,482	-	-	-	7,942,482
Institutional membership and sponsorship	492,713	-	-	-	492,713
Corporate mailing lists	20,530	-	-	-	20,530
Product sales and exam processing fees	87,291	-	-	-	87,291
Annual conference	2,666,538	-	-	-	2,666,538
Other conferences and seminars	765,987	-	14,000	-	779,987
Chapter relations	154,242	-	-	-	154,242
Publications and website	364,897	2,070,355	-	(951,449)	1,483,803
Miscellaneous	2,288	737	93	-	3,118
Net assets released from restriction	-	-	153,155	-	153,155
Total operating revenue	12,496,968	2,071,092	167,248	(951,449)	13,783,859
Expenses					
Program services:					
Membership, community and research	2,595,448	127,241	-	(951,449)	1,771,240
Institutional membership	315,675	-	-	-	315,675
Product sales and exam processing	106,687	-	-	-	106,687
Annual convention	1,500,462	-	-	-	1,500,462
Other conferences and seminars	693,701	-	-	-	693,701
Public relations and communications	609,044	-	-	-	609,044
Government relations	580,463	-	-	-	580,463
Chapter relations	1,719,090	-	-	-	1,719,090
Publications and website	900,069	1,319,325	-	-	2,219,394
National Financial Planning Support Center	-	-	150,915	-	150,915
Total program services	9,020,639	1,446,566	150,915	(951,449)	9,666,671
Supporting services:					
Administration	2,508,457	152,791	1,269	-	2,662,517
Executive and board	595,490	33,385	-	-	628,875
Total supporting services	3,103,947	186,176	1,269	-	3,291,392
Total expenses	12,124,586	1,632,742	152,184	(951,449)	12,958,063
Change in unrestricted net assets, operating	372,382	438,350	15,064	-	825,796
Branding initiative expenses	(530,565)	-	-	-	(530,565)
Coalition expenses	(176,792)	-	-	-	(176,792)
Net gain on investments	542,245	-	-	-	542,245
Change in unrestricted net assets	207,270	438,350	15,064	-	660,684
Temporarily restricted contributions net of releases from restrictions	-	-	(44,630)	-	(44,630)
Change in net assets	207,270	438,350	(29,566)	-	616,054
Net assets, beginning of year	1,743,207	64,150	53,995	(8,024)	1,853,328
Net assets, end of year	$ 1,950,477	502,500	24,429	(8,024)	2,469,382

See accompanying independent auditor's report.