FPA
FINANCIAL PLANNING ASSOCIATION

CONSOLIDATED FINANCIAL STATEMENTS
With Independent Auditors' Report

May 31, 2012

CAPINCROUSE LLP
Certified Public Accountants

FINANCIAL PLANNING ASSOCIATION AND SUBSIDIARIES

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CAPINCROUSE LLP
Certified Public Accountants
www.capincrouse.com 2630 West Belleview Avenue, Suite 270 Littleton, CO 80123 720.283.7326

INDEPENDENT AUDITORS' REPORT

Board of Directors
The Financial Planning Association and Subsidiaries
Denver, Colorado

We have audited the accompanying consolidated statement of financial position of the Financial Planning Association and Subsidiaries (collectively, the Association) as of May 31, 2012, and the related consolidated statements of activities and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit 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 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 Association'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 audit provides 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, 2012, and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in the notes to the financial statements, certain items were not properly accounted for in the previous year. The correction of these items has been recorded as a prior period adjustment.

Capin Crouse LLP

Littleton, Colorado
December 5, 2012

FINANCIAL PLANNING ASSOCIATION AND SUBSIDIARIES

Consolidated Statement of Financial Position

May 31, 2012

ASSETS:		
Current assets:		
Cash and cash equivalents	$	1,533,301
Short-term investments		2,520,408
Accounts receivable–net		327,485
Prepaid expenses and other assets		452,194
		4,833,388
Property and equipment–net		271,471
Long-term investments		2,842,628
Total Assets	$	7,947,487
LIABILITIES AND NET ASSETS:		
Current liabilities:		
Accounts payable	$	521,739
Accrued expenses		409,592
Deferred revenue		4,585,396
		5,516,727
Deferred rent, long-term		100,728
		5,617,455
Net assets:		
Unrestricted		2,275,375
Temporarily restricted		54,657
		2,330,032
Total Liabilities and Net Assets	$	7,947,487

See notes to consolidated financial statements

FINANCIAL PLANNING ASSOCIATION AND SUBSIDIARIES

Consolidated Statement of Activities

For the Year Ended May 31, 2012

OPERATING:	
REVENUE:	
Membership, community, and research	$ 6,283,775
Institutional membership and sponsorship	509,467
Corporate mailing lists	19,379
Product sales and exam processing fees	64,896
Annual conference	2,481,686
Other conferences and seminars	747,182
Chapter relations	146,573
Publications and website	1,178,698
Miscellaneous	19,013
Net assets released from restrictions	29,419
Total Revenue	11,480,088
EXPENSES:	
Program services:	
Membership, community, and research	1,740,633
Institutional membership	419,699
Product sales and processing	89,276
Annual conference	1,583,031
Other conferences and seminars	713,602
Public relations and communications	535,042
Government relations	600,547
Chapter relations	388,235
Publications and website	1,721,249
National Financial Planning Support Center	126,478
	7,917,792
Supporting services:	
Administration	2,640,156
Executive and board	749,012
	3,389,168
Total Expenses	11,306,960
Change in Net Assets From Operations	173,128

(continued)

See notes to consolidated financial statements

FINANCIAL PLANNING ASSOCIATION AND SUBSIDIARIES

Consolidated Statement of Activities

(continued)

For the Year Ended May 31, 2012

NON-OPERATING:	
Branding initiative expenses	(94,199)
Coalition expenses	(131,569)
Organizational review	(123,352)
Investment income (loss)	(178,015)
Temporarily restricted contributions net of releases from restrictions	54,657
Change in Net Assets From Non-Operating Activities	(472,478)
Change in Net Assets	(299,350)
Net Assets, Beginning of Year	
As previously stated	2,469,382
Prior period adjustment	160,000
As restated	2,629,382
Net Assets, End of Year	$ 2,330,032

See notes to consolidated financial statements

FINANCIAL PLANNING ASSOCIATION AND SUBSIDIARIES

Consolidated Statement of Cash Flows

For the Year Ended May 31, 2012

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	$ (299,350)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation and amortization	248,166
Realized and unrealized (gains) losses on investments	276,715
Change in operating assets and liabilities:	
Accounts receivable	55,670
Prepaid expenses and other assets	71,838
Accounts payable	(81,604)
Accrued expenses	(218,933)
Deferred revenue	(872,581)
Deferred rent	69,525
Net Cash Used by Operating Activities	(750,554)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Dividends reinvested	(98,700)
Purchases of furniture and equipment	(196,041)
Net Cash Used by Investing Activities	(294,741)
Net Change in Cash and Cash Equivalents	(1,045,295)
Cash and Cash Equivalents, Beginning of Year	2,578,596
Cash and Cash Equivalents, End of Year	$ 1,533,301

See notes to consolidated financial statements

1. NATURE OF ORGANIZATIONS:

The Financial Planning Association (FPA) 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 goal of the Association is to be the community that fosters the value of financial planning and advances the financial planning profession. FPA maintains offices in Denver and Washington, D.C. Chapters of FPA are operated independently and are not included in the consolidated financial statements.

The consolidated financial statements of FPA 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*. The consolidated financial statements also include the National Financial Planning Support Center (the Center), a not-for-profit corporation organized to carry out the charitable activities of FPA. Because the Center is under the control of FPA, it is included in these consolidated financial statements.

FPA is operated as a nonprofit organization exempt from federal income taxes under section 501(c)(6) of the Internal Revenue Code (the Code). The Center is exempt from income taxes under section 501(c)(3) of the Code. FSIC is a taxpaying entity, subject to federal and state income taxes at the applicable corporate rates. The primary source of revenue for FPA is membership fees and sponsorship income. Collectively, the three entities are referred to as the Association.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Association maintains its accounts and prepares its consolidated financial statements on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of any contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. All significant intercompany balances and transactions have been eliminated as part of the consolidation. The significant accounting policies followed are described below to enhance the usefulness of the consolidated financial statements to the reader.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of actual currency, demand deposits, and highly liquid investments with original maturities of three months or less. These accounts may, at times, exceed federally insured limits. The Association has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

ACCOUNTS RECEIVABLE

Accounts receivable represent amounts due 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 collectability 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.

INVESTMENTS

Investments consist of money market funds and mutual funds. Investments are carried at fair value based on quoted prices in active markets for identical assets, which is Level 1 of the fair value hierarchy established under the *Fair Value Topic* of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). Unrealized gains or losses in fair value are recognized in the consolidated statement of activities in the year in which they occur.

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost. Purchases of long-lived assets in excess of $1,000 with a useful life in excess of three years are capitalized. Depreciation is recorded using the straight-line method over estimated useful lives of three to five years. Leasehold improvements are amortized over the life of the office lease.

NET ASSETS

The net assets of the Association have been reported in the following two classes:

Unrestricted net assets include those resources used to support the Association's operations and expended for property and equipment, net of any related debt.

Temporarily restricted net assets include donor restricted contributions for various projects and programs.

REVENUE AND EXPENSES

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.

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. Other expenses are recognized as incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

FUNCTIONAL ALLOCATION OF EXPENSES
The costs of providing various program services and supporting activities have been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs, such as depreciation and salaries, have been allocated among the program services and supporting activities benefited.

ADVERTISING
The Association uses advertising to promote certain programs and products. The costs of advertising are expensed as incurred. During the year ended May 31, 2012, promotional advertising costs totaled $159,903.

UNCERTAIN TAX POSITIONS
The financial statement effects of a tax position taken or expected to be taken are recognized in the consolidated financial statements when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. Interest and penalties, if any, are included in expenses in the consolidated statement of activities. As of May 31, 2012, the Association had no uncertain tax positions that qualify for recognition or disclosure in the consolidated financial statements.

RECENTLY ISSUED ACCOUNTING STANDARDS
The FASB recently issued ASU No. 2010-20, *Disclosures About the Credit Quality of Financing Receivables and the Allowance for Credit Losses*. This amends the *Receivables Topic* of the ASC and requires additional disclosures related to the credit quality of financing receivables and the allowance for credit losses. End of period disclosure requirements are effective for years ending on or after December 15, 2010, and period activity disclosures are effective for years ending on or after December 15, 2011. There was no significant impact to the consolidated financial statements or related disclosures of the Association.

3. PROPERTY AND EQUIPMENT–NET:

Property and equipment–net consist of:

Office furniture and equipment	$ 889,453
Software and website development costs	2,104,072
Leasehold improvements	105,967
	3,099,492
Accumulated depreciation and amortization	(2,828,021)
	$ 271,471

FINANCIAL PLANNING ASSOCIATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

May 31, 2012

4. INVESTMENTS:

Investments consist of:

Short-term investments:		
Cash and money market funds	$	2,520,409
Long-term investments:		
Equity mutual funds:		
Small cap equity growth fund		89,861
Small cap equity value fund		167,900
Large cap equity growth fund		506,512
Large cap equity value fund		222,724
Large cap equity blend fund		417,866
International mid cap equity growth fund		83,009
International large cap blend fund		246,922
		1,734,794
Fixed income mutual funds:		
Intermediate-term bond fund		460,703
US Treasury bond fund		243,369
International bond fund		231,396
		935,468
Other mutual funds:		
International currency fund		89,293
Real estate investment trust fund		83,072
		172,365
Total long-term investments		2,842,627
	$	5,363,036

Investment income consists of:

Interest and dividends	$	98,700
Net realized and unrealized gains (losses)		(276,715)
	$	(178,015)

5. DEFERRED REVENUE:

Deferred revenue consists of:

Unearned membership dues	$	3,964,185
Unearned exhibitor, sponsor, and registration fees		420,073
Other deferred revenue		201,138
	$	4,585,396

6. OPERATING LEASES:

The Association rents office space and equipment under non-cancelable operating leases. Lease expense for the year ended May 31, 2012 was $409,165. Future minimum payments are:

Year Ending May 31,		
2013	$	400,632
2014		372,871
2015		360,780
2016		379,344
2017		257,059
Thereafter		649,195
	$	2,419,881

7. RETIREMENT PLAN:

The Association has 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 year ended May 31, 2012, 401(k) expense totaled $89,028. In addition, the Association contributes a percentage of employees' wages into the plan as determined by the board of directors. For the year ended May 31, 2012, the board of directors suspended this discretionary contribution.

8. PRIOR PERIOD ADJUSTMENT:

Subsequent to the issuance of the prior year financial statements, it was determined that the Association overstated federal and state income tax expense for FSIC for the year ended May 31, 2011. The adjustment increased beginning net assets by $160,000.

9. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through the report date, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated. Subsequent to year end, the Association's work force was reduced by a total of 13 employees including the chief executive officer and the chief financial officer. The total severance liability related to this change in personnel was approximately $640,000.

SUPPLEMENTAL INFORMATION

CAPINCROUSE LLP
Certified Public Accountants
www.capincrouse.com 2630 West Belleview Avenue, Suite 270 Littleton, CO 80123 720.283.7326

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION

Board of Directors
The Financial Planning Association and Subsidiaries
Denver, Colorado

We have audited the consolidated financial statements of the Financial Planning Association and Subsidiaries as of and for the year ended May 31, 2012, and have issued our report thereon dated December 5, 2012, which contained an unqualified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the basic consolidated financial statements as a whole. The supplemental information located on pages 13-14 is presented for the purpose of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Capin Crouse LLP

Littleton, Colorado
December 5, 2012

THE FINANCIAL PLANNING ASSOCIATION

Consolidating Statement of Financial Position

May 31, 2012

	Financial Planning Association	Financial Services Information Company	National Financial Planning Support Center	Eliminations	Total
ASSETS:					
Current assets:					
Cash and cash equivalents	$ 1,164,806	$ 296,699	$ 71,796	$ -	$ 1,533,301
Short-term investments	2,520,408	-	-	-	2,520,408
Accounts receivable–net	83,324	244,161	-	-	327,485
Intercompany receivables	-	361,099	9,613	(370,712)	-
Prepaid expenses and other assets	441,257	10,937	-	-	452,194
	4,209,795	912,896	81,409	(370,712)	4,833,388
Property and equipment–net	270,123	1,348	-	-	271,471
Long-term investments	2,842,628	-	-	-	2,842,628
Total Assets	$ 7,322,546	$ 914,244	$ 81,409	$ (370,712)	$ 7,947,487
LIABILITIES AND NET ASSETS:					
Current liabilities:					
Accounts payable	$ 521,739	$ -	$ -	$ -	$ 521,739
Accrued expenses	409,592	-	-	-	409,592
Intercompany payables	370,712	-	-	(370,712)	-
Deferred revenue	4,479,942	105,454	-	-	4,585,396
	5,781,985	105,454	-	(370,712)	5,516,727
Deferred rent, long-term	100,728	-	-	-	100,728
	5,882,713	105,454	-	(370,712)	5,617,455
Net assets:					
Unrestricted	1,439,833	808,790	26,752	-	2,275,375
Temporarily restricted	-	-	54,657	-	54,657
	1,439,833	808,790	81,409	-	2,330,032
Total Liabilities and Net Assets	$ 7,322,546	$ 914,244	$ 81,409	$ (370,712)	$ 7,947,487

FINANCIAL PLANNING ASSOCIATION AND SUBSIDIARIES

Consolidating Statement of Activities

Year Ended May 31, 2012

	Financial Planning Association	Financial Services Information Company	National Financial Planning Support Center	Eliminations	Total
OPERATING:					
REVENUE:					
Membership, community, and research	$ 6,283,775	$ -	$ -	$ -	$ 6,283,775
Institutional membership and sponsorship	509,467	-	-	-	509,467
Corporate mailing lists	19,379	-	-	-	19,379
Product sales and exam processing fees	64,896	-	-	-	64,896
Annual conference	2,481,686	-	-	-	2,481,686
Other conferences and seminars	747,182	-	-	-	747,182
Chapter relations	146,573	-	-	-	146,573
Publications and website	287,874	1,321,940	-	(431,116)	1,178,698
Miscellaneous	14,346	323	4,344	-	19,013
Net assets released from restrictions	-	-	126,478	(97,059)	29,419
Total Revenue	10,555,178	1,322,263	130,822	(528,175)	11,480,088
EXPENSES:					
Program services:					
Membership, community, and research	2,171,749	-	-	(431,116)	1,740,633
Institutional membership	419,699	-	-	-	419,699
Product sales and processing	89,276	-	-	-	89,276
Annual conference	1,583,031	-	-	-	1,583,031
Other conferences and seminars	713,602	-	-	-	713,602
Public relations and communications	535,042	-	-	-	535,042
Government relations	600,547	-	-	-	600,547
Chapter relations	388,235	-	-	-	388,235
Publications and website	545,276	1,175,973	-	-	1,721,249
National Financial Planning Support Center	-	-	126,478	-	126,478
	7,046,457	1,175,973	126,478	(431,116)	7,917,792
Supporting services:					
Administration	2,638,135	-	2,021	-	2,640,156
Executive and board	749,012	-	-	-	749,012
	3,387,147	-	2,021	-	3,389,168
Total Expenses	10,433,604	1,175,973	128,499	(431,116)	11,306,960
Change in Net Assets From Operations	121,574	146,290	2,323	(97,059)	173,128
NON-OPERATING:					
Branding initiative expenses	(94,199)	-	-	-	(94,199)
Coalition expenses	(131,569)	-	-	-	(131,569)
Organizational review	(123,352)	-	-	-	(123,352)
Grant to National Financial Planning Support Center	(97,059)	-	-	97,059	-
Investment income	(178,015)	-	-	-	(178,015)
Temporarily restricted contributions net of releases from restrictions	-	-	54,657	-	54,657
Change in Net Assets From Non-Operating Activities	(624,194)	-	54,657	97,059	(472,478)
Change in Net Assets	(502,620)	146,290	56,980	-	(299,350)
Net Assets, Beginning of Year					
As previously stated	1,942,453	502,500	24,429	-	2,469,382
Prior period adjustments	-	160,000	-	-	160,000
As restated	1,942,453	662,500	24,429	-	2,629,382
Net Assets, End of Year	$ 1,439,833	$ 808,790	$ 81,409	$ -	$ 2,330,032