



**FINANCIAL PLANNING
ASSOCIATION AND SUBSIDIARY**

Consolidated Financial Statements
With Independent Auditors' Report

December 31, 2019

FINANCIAL PLANNING ASSOCIATION AND SUBSIDIARY

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Financial Planning Association and Subsidiary
Denver, Colorado

We have audited the accompanying consolidated statement of financial position of the Financial Planning Association and Subsidiary as of December 31, 2019, and the related consolidated statement of activities, functional expenses, and cash flows for the year then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Board of Directors
Financial Planning Association and Subsidiary
Denver, Colorado

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 Subsidiary as of December 31, 2019, and the changes in their net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Capin Crouse LLP

Centennial, Colorado
July 16, 2020

FINANCIAL PLANNING ASSOCIATION AND SUBSIDIARY

Consolidated Statement of Financial Position

December 31, 2019

ASSETS:

Current assets:

Cash and cash equivalents	\$	296,312
Short-term investments		684,001
Accounts receivable–net		381,835
Prepaid expenses and other assets		499,550
		<u>1,861,698</u>

Property and equipment–net		1,220,820
Long-term investments		<u>2,878,522</u>

Total Assets	\$	<u><u>5,961,040</u></u>
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LIABILITIES AND NET ASSETS:

Liabilities:

Current liabilities:

Accounts payable	\$	306,576
Chapter dues payable		146,854
Accrued expenses		351,175
Deferred revenue		3,134,710
		<u>3,939,315</u>

Net assets:

Without donor restrictions		<u>2,021,725</u>
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Total Liabilities and Net Assets	\$	<u><u>5,961,040</u></u>
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See notes to consolidated financial statements

FINANCIAL PLANNING ASSOCIATION AND SUBSIDIARY

Consolidated Statement of Activities

Year Ended December 31, 2019

REVENUE:

Membership dues	\$ 6,414,118
Corporate revenue	2,646,873
Event registration	1,344,911
Other income	687,900
Total Revenue	<u>11,093,802</u>

EXPENSES:

Program services	9,322,082
Supporting activity-general and administrative	2,465,763
Total Expenses	<u>11,787,845</u>

Change in Net Assets (694,043)

Net Assets, Beginning of Year 2,715,768

Net Assets, End of Year \$ 2,021,725

See notes to consolidated financial statements

FINANCIAL PLANNING ASSOCIATION AND SUBSIDIARY

Consolidated Statement of Functional Expenses

Year Ended December 31, 2019

	Program Services	Supporting activity: General and Administrative	Total
Salaries and wages	\$ 2,954,254	\$ 729,815	\$ 3,684,069
Conferences and meetings	1,738,232	93,696	1,831,928
Contract labor and professional services	1,403,225	299,313	1,702,538
Office expenses and insurance	396,521	393,921	790,442
Travel	608,691	187,631	796,322
Information technology	717,303	1,067	718,370
Other expenses	393,839	47,196	441,035
Other employee benefits	331,424	75,660	407,084
Occupancy	959	324,768	325,727
Payroll taxes	248,697	47,190	295,887
Advertising and promotion	277,807	-	277,807
Depreciation and amortization	905	241,023	241,928
Employer pension contributions	128,933	24,483	153,416
Lobbying	121,292	-	121,292
	<u>\$ 9,322,082</u>	<u>\$ 2,465,763</u>	<u>\$ 11,787,845</u>

See notes to consolidated financial statements

FINANCIAL PLANNING ASSOCIATION AND SUBSIDIARY

Consolidated Statement of Cash Flows

Year Ended December 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ (694,043)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation and amortization	241,928
Net realized and unrealized gains on investments	(283,985)
Change in operating assets and liabilities:	
Accounts receivable-net	(103,670)
Prepaid expenses and other assets	(53,115)
Accounts payable	17,461
Chapter dues payable	28,091
Accrued expenses	114,789
Deferred revenue	(208,651)
Net Cash Used by Operating Activities	<u>(941,195)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Reinvested interest and dividends	(108,046)
Proceeds from sale of investments	1,278,376
Purchases of property and equipment	(891,805)
Net Cash Provided by Investing Activities	<u>278,525</u>

Net Change in Cash and Cash Equivalents (662,670)

Cash and Cash Equivalents, Beginning of Year 958,982

Cash and Cash Equivalents, End of Year \$ 296,312

See notes to consolidated financial statements

FINANCIAL PLANNING ASSOCIATION AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2019

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 and the International Association for Financial Planning, Inc. The primary aim of FPA is to elevate the profession that transforms lives through the power of financial planning. Chapters of FPA are operated independently and are not included in these 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*.

FPA is operated as a nonprofit organization exempt from federal income taxes under section 501(c)(6) of the Internal Revenue Code (the Code) and comparable state law(s). However, FPA is subject to federal income tax on any unrelated business taxable income. In addition, FPA is not classified as a private foundation within the meaning of Section 509(a) 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, corporate partnerships, and registration fees. Collectively, the two 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, checking accounts, and highly liquid investments with original maturities of three months or less. As of December 31, 2019, the Association's cash balances did not exceed federally insured limits by material amounts. 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.

ACCOUNTS RECEIVABLE

Accounts receivable represent amounts due from the performance of services provided to other organizations and individuals. 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. No accounts were deemed uncollectible as of December 31, 2019.

FINANCIAL PLANNING ASSOCIATION AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

INVESTMENTS

Investments consist of money market 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 period in which they occur and are included within other income on the consolidated statement of activities.

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 one year are capitalized. Depreciation is recorded using the straight-line method over estimated useful lives of three to seven and a half years. Leasehold improvements are amortized over the life of the lease.

NET ASSETS

The net assets of the Association have been reported as net assets without donor restrictions, which are those resources available to support the Association's operations.

REVENUE AND EXPENSES

Membership dues are included as revenue ratably over the term of membership or subscription. Event registration payments are collected in advance of each respective conference and revenue is recognized upon completion of the event. Corporate revenues are recorded when earned, which is over the term of the sponsorship agreement, upon completion of the conference or when the advertising has been placed. All other revenue is recorded when earned, which is when the event occurs or the service or goods have been provided.

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.

FUNCTIONAL ALLOCATION OF EXPENSES

The consolidated statement of functional expenses reports certain categories of expenses that are attributable to program or support activities of the Association. These expenses include depreciation and facilities and maintenance which are allocated based on square footage of occupancy. Costs of other categories were allocated on estimates of time and effort. The major program activities of the Association consist of association management activities and conferences.

FINANCIAL PLANNING ASSOCIATION AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

ADOPTION OF NEW ACCOUNTING STANDARD

In 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*. The Association adopted the provisions of this new standard during the year ended December 31, 2019. This new standard applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. Adoption of this standard had no effect on change in net assets or net assets in total.

3. LIQUIDITY AND FUNDS AVAILABLE:

The Association has approximately \$4,241,000 of financial assets available within one year of the consolidated statement of financial position date as of December 31, 2019. This amount consists of cash and cash equivalents, accounts receivable, and investments. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the consolidated statement of financial position date.

The Association structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Management monitors cash flows closely through detailed financial analysis and reporting to the finance committee.

4. PROPERTY AND EQUIPMENT—NET:

Property and equipment—net, as of December 31, 2019, consists of:

Software and website development costs	\$ 3,259,015
Office furniture and equipment	594,086
Leasehold improvements	59,082
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	3,912,183
Less accumulated depreciation and amortization	(2,691,363)
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	\$ 1,220,820
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FINANCIAL PLANNING ASSOCIATION AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2019

5. INVESTMENTS:

Investments, as of December 31, 2019, consists of:

Short-term investments—cash and money market funds	\$ 684,001
Long-term investments—equity and fixed income blended mutual funds	2,878,522
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	\$ 3,562,523
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Investment income was \$392,031 for the year ended December 31, 2019.

6. DEFERRED REVENUE:

Deferred revenue, as of December 31, 2019, consists of:

Unearned membership dues	\$ 3,063,822
Unearned exhibitor, sponsor, and registration fees	70,888
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	\$ 3,134,710
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7. OPERATING LEASES:

The Association rents office space and equipment under non-cancelable operating leases. Lease expense for the year ended December 31, 2019, was \$317,546. Future minimum net lease payments are:

<u>Year Ending December 31,</u>	
2020	\$ 252,092
2021	289,309
2022	318,791
2023	298,743
2024	303,460
Thereafter	515,725
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	\$ 1,978,120
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8. RETIREMENT PLAN:

The Association has adopted a tax deferred employee profit sharing plan under the provisions of the 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 December 31, 2019, employer matches totaled \$141,837.

FINANCIAL PLANNING ASSOCIATION AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2019

9. RELATED PARTY TRANSACTIONS:

The Association paid \$2,090,841 of chapter membership dues to local chapters during the year ended December 31, 2019. These amounts meet the criteria and are considered agency transactions. As such, they are not reported in the consolidated statement of activities for the year ended December 31, 2019.

10. SUBSEQUENT EVENTS:

Subsequent to the year ended December 31, 2019, the World Health Organization declared the outbreak of the coronavirus (COVID-19) as a pandemic which continues to spread throughout the United States. COVID-19 has caused a severe negative impact on the world economy, and has contributed to significant declines and volatility in financial markets. As a result, the fair value of the Association's investments disclosed in Note 5 have been negatively impacted. The Association does not rely on the earnings of its investments in order to pay for its operating expenses, and therefore this event's effect on the Association's investments is not expected to hinder the Association's ability to pay its future operating expenses. Due to COVID-19's impact on the gathering of large groups, there is a possibility that the Association will suffer decreased program revenue throughout the year ended December 31, 2020.

Subsequent to the year ended December 31, 2019, the Chief Executive Officer departed the Association. An interim has been appointed during this time and the Board of Directors is actively looking to fill this position.

Subsequent events were evaluated through July 16, 2020, which is the date the consolidated financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION**

Board of Directors
Financial Planning Association and Subsidiary
Denver, Colorado

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary schedules on pages 12-16 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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

Centennial, Colorado
July 16, 2020

FINANCIAL PLANNING ASSOCIATION AND SUBSIDIARY

Consolidating Statement of Financial Position

December 31, 2019

	Financial Planning Association	Financial Services Information Company	Eliminations	Total
ASSETS:				
Current assets:				
Cash and cash equivalents	\$ 133,762	\$ 162,550	\$ -	\$ 296,312
Short-term investments	684,001	-	-	684,001
Accounts receivable–net	356,834	25,001	-	381,835
Intercompany receivables	259,813	-	(259,813)	-
Prepaid expenses and other assets	474,907	24,643	-	499,550
	1,909,317	212,194	(259,813)	1,861,698
Property and equipment–net	1,219,011	1,809	-	1,220,820
Long-term investments	2,878,522	-	-	2,878,522
	1,909,317	212,194	(259,813)	1,861,698
Total Assets	\$ 6,006,850	\$ 214,003	\$ (259,813)	\$ 5,961,040
LIABILITIES AND NET ASSETS:				
Liabilities:				
Current liabilities:				
Accounts payable	\$ 306,576	\$ -	\$ -	\$ 306,576
Chapter dues payable	146,854	-	-	146,854
Accrued expenses	351,175	-	-	351,175
Intercompany payables	-	259,813	(259,813)	-
Deferred revenue	3,115,570	19,140	-	3,134,710
	3,920,175	278,953	(259,813)	3,939,315
Net assets:				
Without donor restrictions	2,086,675	(64,950)	-	2,021,725
Total Liabilities and Net Assets	\$ 6,006,850	\$ 214,003	\$ (259,813)	\$ 5,961,040

FINANCIAL PLANNING ASSOCIATION AND SUBSIDIARY

Consolidating Statement of Activities

Year Ended December 31, 2019

	Financial Planning Association	Financial Services Information Company	Total
REVENUE:			
Membership dues	\$ 6,414,118	\$ -	\$ 6,414,118
Corporate revenue	2,505,734	141,139	2,646,873
Event registration	1,344,911	-	1,344,911
Other income	652,228	35,672	687,900
Total Revenue	10,916,991	176,811	11,093,802
EXPENSES:			
Program services	8,755,584	566,498	9,322,082
Supporting activity:			
General and administrative	2,465,763	-	2,465,763
Total Expenses	11,221,347	566,498	11,787,845
 Change in Net Assets	 (304,356)	 (389,687)	 (694,043)
 Net Assets, Beginning of Year	 2,391,031	 324,737	 2,715,768
 Net Assets, End of Year	 \$ 2,086,675	 \$ (64,950)	 \$ 2,021,725

FINANCIAL PLANNING ASSOCIATION AND SUBSIDIARY

Consolidated Statements of Financial Position

	December 31,	
	2019	2018
	(Audited)	(Audited)
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 296,312	\$ 958,982
Short-term investments	684,001	1,922,293
Accounts receivable–net	381,835	278,165
Prepaid expenses and other assets	499,550	446,435
	<u>1,861,698</u>	<u>3,605,875</u>
Property and equipment–net	1,220,820	570,943
Long-term investments	<u>2,878,522</u>	<u>2,526,575</u>
Total Assets	<u>\$ 5,961,040</u>	<u>\$ 6,703,393</u>
LIABILITIES AND NET ASSETS:		
Liabilities:		
Current liabilities:		
Accounts payable	\$ 306,576	\$ 289,115
Chapter dues payable	146,854	118,763
Accrued expenses	351,175	236,386
Deferred revenue	3,134,710	3,343,361
	<u>3,939,315</u>	<u>3,987,625</u>
Net assets:		
Without donor restrictions	<u>2,021,725</u>	<u>2,715,768</u>
Total Liabilities and Net Assets	<u>\$ 5,961,040</u>	<u>\$ 6,703,393</u>

FINANCIAL PLANNING ASSOCIATION AND SUBSIDIARY

Consolidated Statements of Activities

	Year Ended December 31,	
	2019	2018
	(Audited)	(Unaudited*)
REVENUE:		
Membership dues	\$ 6,414,118	\$ 6,868,999
Corporate revenue	2,646,873	2,333,230
Event registration	1,344,911	1,484,372
Other income	687,900	208,572
Total Revenue	<u>11,093,802</u>	<u>10,895,173</u>
EXPENSES:		
Program services	9,322,082	9,075,644
Supporting activity-general and administrative	2,465,763	1,817,758
Total Expenses	<u>11,787,845</u>	<u>10,893,402</u>
Change in Net Assets	(694,043)	1,771
Net Assets, Beginning of Year	<u>2,715,768</u>	<u>2,713,997</u>
Net Assets, End of Year	<u>\$ 2,021,725</u>	<u>\$ 2,715,768</u>

*While the specific twelve-month period as presented in the supplemental 2018 Consolidated Statement of Activities was unaudited, particularly as it related to cutoff testing of accruals, activity for this time period was audited as part of the 19 month audit for the period June 1, 2017 – December 31, 2018. The 19 month audit period was a result of the change to fiscal year end from May 31 to December 31.

FINANCIAL PLANNING ASSOCIATION AND SUBSIDIARY

Consolidated Statements of Cash Flows

	Year Ended December 31,	
	2019 (Audited)	2018 (Unaudited*)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (694,043)	\$ 1,771
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	241,928	256,550
Net realized and unrealized losses on investments	(283,985)	167,232
Change in operating assets and liabilities:		
Accounts receivable–net	(103,670)	133,096
Prepaid expenses and other assets	(53,115)	(2,325)
Accounts payable	17,461	(217,991)
Chapter dues payable	28,091	(49,636)
Accrued expenses	114,789	(2,590)
Deferred revenue	(208,651)	(472,462)
Net Cash Used by Operating Activities	(941,195)	(186,355)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Reinvested interest and dividends	(108,046)	(95,679)
Proceeds from sale of investments	1,278,376	(15,819)
Purchases of property and equipment	(891,805)	(431,557)
Net Cash Provided (Used) by Investing Activities	278,525	(543,055)
Net Change in Cash and Cash Equivalents	(662,670)	(729,410)
Cash and Cash Equivalents, Beginning of Year	958,982	1,688,392
Cash and Cash Equivalents, End of Year	\$ 296,312	\$ 958,982

*While the specific twelve-month period as presented in the supplemental 2018 Consolidated Statement of Cash Flows was unaudited, particularly as it related to cutoff testing of accruals, activity for this time period was audited as part of the 19 month audit for the period June 1, 2017 – December 31, 2018. The 19 month audit period was a result of the change to fiscal year end from May 31 to December 31.