FINANCIAL PLANNING ASSOCIATION AND SUBSIDIARY

Consolidated Financial Statements
With Independent Auditors' Report

December 31, 2018

FINANCIAL PLANNING ASSOCIATION AND SUBSIDIARY

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CAPINCROUSE LLP

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, 2018, and the related consolidated statement of activities, functional expenses, and cash flows for the nineteen-month period 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.

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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, 2018, and the changes in their net assets and cash flows for the nineteen-month period then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Financial Planning Association and Subsidiary has adopted Financial Accounting Standards Board Accounting Standards Update No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities,* as described in note 2. This has had a material effect on the presentation of the December 31, 2018 consolidated financial statements. Our opinion is not modified with respect to this matter.

Capin Crouse LLP

Centennial, Colorado
August 27, 2019

FINANCIAL PLANNING ASSOCIATION AND SUBSIDIARY

Consolidated Statement of Financial Position

December 31, 2018

ASSETS:		
Current assets:		
Cash and cash equivalents	$	958,982
Short-term investments		1,922,293
Accounts receivable–net		278,165
Prepaid expenses and other assets		446,435
		3,605,875
Property and equipment–net		570,943
Long-term investments		2,526,575
Total Assets	$	6,703,393
LIABILITIES AND NET ASSETS:		
Liabilities:		
Current liabilities:		
Accounts payable	$	289,115
Agency liability		118,763
Accrued expenses		236,386
Deferred revenue		3,343,361
		3,987,625
Net assets:		
Without donor restrictions:		
Operating		2,144,825
Equity in property and equipment–net		570,943
		2,715,768
Total Liabilities and Net Assets	$	6,703,393

See notes to consolidated financial statements

FINANCIAL PLANNING ASSOCIATION AND SUBSIDIARY

Consolidated Statement of Activities

Nineteen-Month Period Ended December 31, 2018

REVENUE:	
Membership dues	$ 10,938,027
Event registration	2,537,383
Corporate revenue	4,011,326
Other income	571,244
Total Revenue	18,057,980
EXPENSES:	
Program services	14,897,388
Supporting activity-general and administrative	2,983,792
Total Expenses	17,881,180
Change in Net Assets	176,800
Net Assets, Beginning of Period	2,538,968
Net Assets, End of Period	$ 2,715,768

See notes to consolidated financial statements

FINANCIAL PLANNING ASSOCIATION AND SUBSIDIARY

Consolidated Statement of Functional Expenses

Nineteen-Month Period Ended December 31, 2018

	Program Services	General and Administrative	Total
Salaries and wages	$ 4,672,905	$ 785,710	$ 5,458,615
Conferences and meetings	2,973,082	185,139	3,158,221
Contract labor	2,154,267	259,765	2,414,032
Travel	903,498	283,133	1,186,631
Office expenses	607,843	562,215	1,170,058
Information technology	858,706	10,326	869,032
Other expenses	628,482	187,965	816,447
Other employee benefits	547,368	75,314	622,682
Advertising and promotion	611,983	-	611,983
Occupancy	660	474,994	475,654
Depreciation	320,668	140,049	460,717
Payroll taxes	383,345	19,182	402,527
Lobbying	234,581	-	234,581
	$ 14,897,388	$ 2,983,792	$ 17,881,180
Percent of total expenses	83.3%	16.7%	100.0%

See notes to consolidated financial statements

FINANCIAL PLANNING ASSOCIATION AND SUBSIDIARY

Consolidated Statement of Cash Flows

Nineteen-Month Period Ended December 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$	176,800
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization		460,717
Net realized and unrealized losses on investments		87,189
Net agency funds		(50,918)
Change in operating assets and liabilities:		
Accounts receivable–net		(34,593)
Prepaid expenses and other assets		177,653
Accounts payable		(960)
Accrued expenses		25,089
Deferred revenue		(1,226,212)
Net Cash Used by Operating Activities		(385,235)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Reinvested interest and dividends		(149,745)
Proceeds from sale of investments		(20,535)
Purchases of property and equipment		(491,221)
Net Cash Used by Investing Activities		(661,501)
Net Change in Cash and Cash Equivalents		(1,046,736)
Cash and Cash Equivalents, Beginning of Period		2,005,718
Cash and Cash Equivalents, End of Period	$	958,982

See notes to consolidated financial statements

FINANCIAL PLANNING ASSOCIATION AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2018

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. At December 31, 2018, the Association's cash balances exceeded federally insured limits by approximately $710,000. 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. No allowance for doubtful accounts has been recorded based on management's understanding of 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.

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 and those resources invested in property and equipment–net.

REVENUE AND EXPENSES

Membership dues are included as revenue ratably over the term of membership or subscription. 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.

RECENTLY ADOPTED ACCOUNTING STANDARDS

In 2016, FASB issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities.* The Association adopted the provisions of this new standard during the nineteen-month period ended December 31, 2018. In addition to the changes in terminology used to describe categories of net assets throughout the consolidated financial statements, new disclosures were added regarding liquidity and funds available (note 3) and disclosures related to functional allocation of expenses were expanded (note 2, above). Adoption of this standard had no effect on the change in net assets by class of net assets or in total.

3. LIQUIDITY AND FUNDS AVAILABLE:

The Association has approximately $5,686,000 of financial assets available within one year of the consolidated statements of financial position date as of December 31, 2018. This amount consists of cash and cash equivalents and other liquid 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, 2018, consists of:

Software and website development costs	$ 4,297,155
Office furniture and equipment	708,343
Leasehold improvements	50,879
	5,056,377
Less accumulated depreciation and amortization	(4,485,434)
	$ 570,943

5. INVESTMENTS:

Investments, as of December 31, 2018, consists of:

Short-term investments–cash and money market funds	$ 1,922,293
Long-term investments–equity and fixed income blended mutual funds	2,526,575
	$ 4,448,868

Investment income, for the nineteen-moth period ended December 31, 2018, consists of:

Interest and dividends	$ 170,280
Net realized and unrealized losses	(87,189)
	$ 83,091

6. DEFERRED REVENUE:

Deferred revenue, as of December 31, 2018, consists of:

Unearned membership dues	$	3,011,382
Unearned exhibitor, sponsor, and registration fees		209,224
Other deferred revenue		122,755
	$	3,343,361

7. OPERATING LEASES:

The Association rents office space and equipment under non-cancelable operating leases. The Association also subleases a portion of this office space to a tenant. Gross lease expense for the nineteen-month period ended December 31, 2018, was $507,901, which was off-set by sublease income of $73,216. Future minimum net lease payments are:

Year Ending December 31,		
2019	$	272,337
2020		297,068
2021		297,068
	$	866,473

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 nineteen-month period ended December 31, 2018, 401(k) expense totaled $139,182.

9. RELATED PARTY TRANSACTIONS:

The Association paid $2,922,162 of chapter membership dues to local chapters during the nineteen-month period ended December 31, 2018. These amounts meet the criteria and are considered agency transactions. As such, they are not reported in the consolidated statement of activities for the nineteen-month period ended December 31, 2018.

10. SUBSEQUENT EVENTS:

Subsequent events were evaluated through August 27, 2019, which is the date the consolidated financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

CAPINCROUSE LLP

**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
August 27, 2019

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FINANCIAL PLANNING ASSOCIATION AND SUBSIDIARY

Consolidating Statements of Financial Position by Entity

December 31, 2018

	Financial Planning Association	Financial Services Information Company	Eliminations	Total
ASSETS:				
Current assets:				
Cash and cash equivalents	$ 537,485	$ 421,497	$ -	$ 958,982
Short-term investments	1,922,293	-	-	1,922,293
Accounts receivable–net	245,286	32,879	-	278,165
Intercompany receivables	124,934	-	(124,934)	-
Prepaid expenses and other assets	433,099	13,336	-	446,435
	3,263,097	467,712	(124,934)	3,605,875
Property and equipment–net	568,146	2,797	-	570,943
Long-term investments	2,526,575	-	-	2,526,575
Total Assets	$ 6,357,818	$ 470,509	$ (124,934)	$ 6,703,393
LIABILITIES AND NET ASSETS:				
Liabilities:				
Current liabilities:				
Accounts payable	$ 289,115	$ -	$ -	$ 289,115
Agency liability	118,763	-	-	118,763
Accrued expenses	236,386	-	-	236,386
Intercompany payables	-	124,934	(124,934)	-
Deferred revenue	3,322,606	20,755	-	3,343,361
	3,966,870	145,689	(124,934)	3,987,625
Net assets:				
Without donor restrictions:				
Operating	1,822,802	322,023	-	2,144,825
Equity in property and equipment–net	568,146	2,797	-	570,943
	2,390,948	324,820	-	2,715,768
Total Liabilities and Net Assets	$ 6,357,818	$ 470,509	$ (124,934)	$ 6,703,393

FINANCIAL PLANNING ASSOCIATION AND SUBSIDIARY

Consolidating Statements of Activities by Entity

Nineteen-Month Period Ended December 31, 2018

	Financial Planning Association	Financial Services Information Company	Eliminations	Total
REVENUE:				
Membership dues	$ 10,938,027	$ -	$ -	$ 10,938,027
Event registration	2,537,383	-	-	2,537,383
Corporate revenue	3,472,546	538,780	-	4,011,326
Other income	497,368	305,198	(231,322)	571,244
Total Revenue	17,445,324	843,978	(231,322)	18,057,980
EXPENSES:				
Program services	13,731,525	1,397,185	(231,322)	14,897,388
Supporting activity:				
general and administrative	2,983,792	-	-	2,983,792
Total Expenses	16,715,317	1,397,185	(231,322)	17,881,180
Change in Net Assets	730,007	(553,207)	-	176,800
Net Assets, Beginning of Year	1,892,265	646,703	-	2,538,968
Net Assets, End of Year	$ 2,622,272	$ 93,496	$ -	$ 2,715,768

FINANCIAL PLANNING ASSOCIATION AND SUBSIDIARY

Consolidated Statements of Financial Position by Period

	December 31, 2018 (Audited)	December 31, 2017 (Unaudited)
ASSETS:		
Current assets:		
Cash and cash equivalents	$ 958,982	$ 1,688,392
Short-term investments	1,922,293	1,894,090
Accounts receivable–net	278,165	411,261
Prepaid expenses and other assets	446,435	444,110
	3,605,875	4,437,853
Property and equipment–net	570,943	395,936
Long-term investments	2,526,575	2,610,512
Total Assets	$ 6,703,393	$ 7,444,301
LIABILITIES AND NET ASSETS:		
Liabilities:		
Current liabilities:		
Accounts payable	$ 289,115	$ 507,106
Agency liability	118,763	168,399
Accrued expenses	236,386	238,976
Deferred revenue	3,343,361	3,815,823
	3,987,625	4,730,304
Net assets:		
Without donor restrictions:		
Operating	2,144,825	2,318,061
Equity in property and equipment–net	570,943	395,936
	2,715,768	2,713,997
Total Liabilities and Net Assets	$ 6,703,393	$ 7,444,301

FINANCIAL PLANNING ASSOCIATION AND SUBSIDIARY

Consolidating Statements of Activities by Period

		Twelve-Month Period Ended 12/31/2018 (Unaudited)		Seven-Month Period Ended 12/31/2017 (Unaudited)		Nineteen-Month Period Ended 12/31/2018 (Audited)
REVENUE:						
Membership dues	$	6,868,999	$	4,069,028	$	10,938,027
Event registration		1,484,372		1,053,011		2,537,383
Corporate revenue		2,333,230		1,678,096		4,011,326
Other income		208,572		362,672		571,244
Total Revenue		10,895,173		7,162,807		18,057,980
EXPENSES:						
Program services		9,075,644		5,821,744		14,897,388
Supporting activity-general and administrative		1,817,758		1,166,034		2,983,792
Total Expenses		10,893,402		6,987,778		17,881,180
Change in Net Assets		1,771		175,029		176,800
Net Assets, Beginning of Period		2,713,997		2,538,968		2,538,968
Net Assets, End of Period	$	2,715,768	$	2,713,997	$	2,715,768

FINANCIAL PLANNING ASSOCIATION AND SUBSIDIARY

Consolidating Statements of Cash Flows by Period

	Twelve-Month Period Ended 12/31/2018 (Unaudited)	Seven-Month Period Ended 12/31/2017 (Unaudited)	Nineteen-Month Period Ended 12/31/2018 (Audited)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Change in net assets	$ 1,771	$ 175,029	$ 176,800
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:			
Depreciation and amortization	256,550	204,167	460,717
Net realized and unrealized losses on investments	167,232	(80,043)	87,189
Net agency funds	(49,636)	(1,282)	(50,918)
Change in operating assets and liabilities:			
Accounts receivable–net	133,096	(167,689)	(34,593)
Prepaid expenses and other assets	(2,325)	179,978	177,653
Accounts payable	(217,991)	217,031	(960)
Accrued expenses	(2,590)	27,679	25,089
Deferred revenue	(472,462)	(753,750)	(1,226,212)
Net Cash Used by Operating Activities	(186,355)	(198,880)	(385,235)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Reinvested interest and dividends	(95,679)	(54,066)	(149,745)
Proceeds from sale of investments	(15,819)	(4,716)	(20,535)
Purchases of property and equipment	(431,557)	(59,664)	(491,221)
Net Cash Used by Investing Activities	(543,055)	(118,446)	(661,501)
Net Change in Cash and Cash Equivalents	(729,410)	(317,326)	(1,046,736)
Cash and Cash Equivalents, Beginning of Period	1,688,392	2,005,718	2,005,718
Cash and Cash Equivalents, End of Period	$ 958,982	$ 1,688,392	$ 958,982