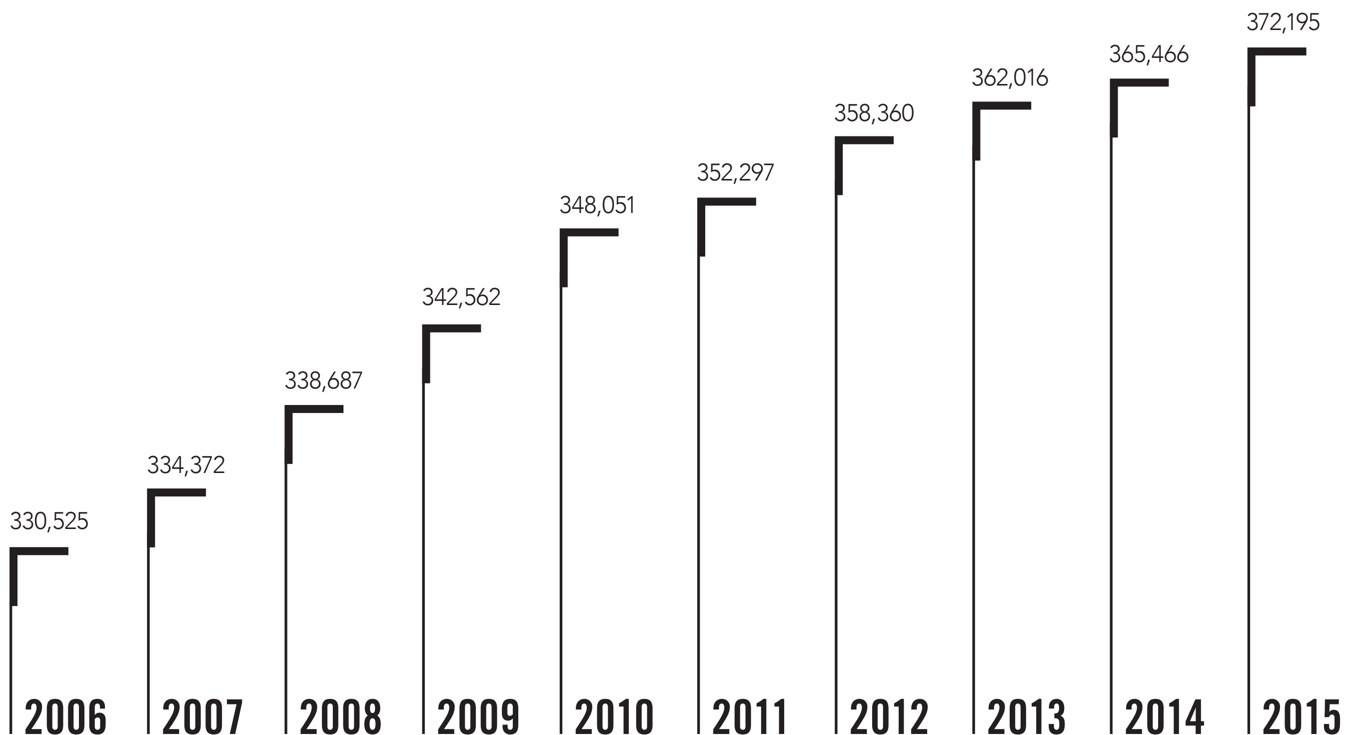
FINANCIALS

2014-15 ANNUAL REPORT

2015 TOTAL AICPA MEMBERSHIP

412,107 Members

Sources and Occupations of AICPA Voting Membership since 2006



46%	35%	14%	3%	2%
Public Accounting	Business & Industry	Retired & Miscellaneous	Government	Education

AICPA MANAGEMENT DISCUSSION AND ANALYSIS — FISCAL 2015

As the community of accounting professionals has expanded and evolved, the American Institute of Certified Public Accountants (AICPA or Institute) has deepened our relationship with our members and how we serve them in all work environments. In the last year, we have grown to more than 412,000 members. Celebrating our broad and diverse membership, the AICPA continues to deliver a unified voice and provide valuable resources to support the profession and the public.

We remain steadfast and diligent in monitoring and interpreting market changes that demand a wide range of subject-matter experts. We gain perspective by gleaning insights from different sized businesses and listening to individuals within the profession. This grass roots approach enables us to be aligned with members and innovate on their behalf. We work rigorously to provide new specialized tools that will increase the marketability of our members' skills, as well as reinforce the reputation of the CPA profession as a whole.

To help us develop and adjust our strategies to strengthen the profession, the AICPA pursues meaningful knowledge of our members' interests and values. This is especially important as a new generation of CPAs enters the workforce. The population of young professionals aged 30 and under grew 15% last year. The AICPA is committed to providing opportunities for these CPAs to connect with other professionals, to stay current on issues affecting the profession, to have access to research and tools necessary to serve the public and to support their continuing education efforts. These CPAs are an important part of the future of the accounting profession and of the AICPA.

Following is a discussion of key accomplishments achieved during the year, and management's report on operations for the fiscal year. The discussion should be read in conjunction with the audited combined financial statements and notes to the combined financial statements.

ENHANCING AUDIT QUALITY

To uphold the profession's reputation for excellence and protection of the public interest in the face of increased business complexity, the AICPA further advanced the comprehensive Enhancing Audit Quality (EAQ) initiative that launched in May 2014. We released a discussion paper, *Enhancing Audit Quality: Plans and Perspectives for the U.S. CPA Profession*, in August 2014 that outlined our preliminary ideas for enhancing audit quality. The perspectives offered through the more than 860 comments received from respondents were considered by the applicable AICPA teams and member committees. These collective efforts culminated in the release of the AICPA's *6-Point Plan to Improve Audits* in May 2015. The 6-Point Plan is a roadmap for integrating quality enhancements from pre-licensure through monitoring and enforcement.

A longer-range effort of the EAQ initiative is to transform the Peer Review Program into a near real-time, ongoing practice monitoring process that will help CPA firms detect engagement deficiencies earlier and enable timelier remediation. A thought-provoking early vision of this evolution was presented in the concept paper: *Evolving the CPA Profession's Peer Review Program for the Future*, issued in December 2014. Feedback, which was due in June 2015, will be incorporated into future phases of this forward-looking initiative.

The AICPA's efforts to enhance audit quality comes at a crucial time for the profession. The U.S. Department of Labor (DOL) Employee Benefits Security Administration (EBSA) issued a report in May 2015, noting deficiencies in the quality of audit work CPA firms perform with respect to financial statement audits of ERISA employee benefit plans for the 2011 plan year. The DOL review found that CPA firms that were members of the AICPA Employee Benefit Plan Audit Quality Center (EBPAQC) tended to produce audits that had fewer audit deficiencies. The AICPA and EBPAQC take the DOL findings seriously and are committed to working with the DOL and other interested parties to enhance audit quality as evidenced by the work already underway toward this goal.

REGULATORY AND LEGISLATIVE ADVOCACY

As a vocal and respected advocate for the profession, and with a commitment to protect the public interest, the AICPA continues its efforts to shape a tax system that benefits taxpayers and tax practitioners. On July 31, 2015, President Obama signed into law the federal highway funding extension bill, which contains several tax provisions, including modifying the due dates for partnership and corporate tax returns. These new due dates, which are nearly identical to those the AICPA and state CPA societies have been advocating for several years, create a more logical flow of information and help taxpayers and tax professionals file timely and accurate tax returns.

The AICPA achieved an important victory for the profession and taxpayers when the IRS issued relief for smaller businesses from the rules on capitalization and depreciation of tangible property (known as the repair regulations). We continue to pursue additional relief and have conveyed to the IRS the implications of its late decision on the issue. The AICPA also has promoted tax simplifications for businesses in the areas of the cash method of accounting and repeal of the alternative minimum tax. Furthermore, we continued our efforts on patent reform and 17 states have enacted laws curtailing patent assertion entities, which exist only to file patent infringement lawsuits.

Another major accomplishment in the past year is related to the definition of attest. The AICPA has long advocated, along with the National Association of State Boards of Accountancy (NASBA), to establish that all engagements using the AICPA's Statement on Standards for Attestation Engagements must be performed by licensed CPAs operating within a CPA firm licensed in the United States. To date, 32 states have the comprehensive definition of attest, eight more have passed legislation and three jurisdictions are working to amend their definition in 2015.

OPERATING REVENUE BY ACTIVITY

53%
Membership Dues

19%
Professional Development & Member Service Conferences

10%
Professional Examinations

10%
Investment & Sundry Income

8%
Publications

TOTAL OPERATING EXPENSES

17% Professional Development & Member Service Conferences	**12%** Technology	**12%** Regulation & Legislation	**10%** Publications
9% Professional Examinations	**9%** General Management	**8%** Other	**8%** Technical
5% Communications & Public Relations	**5%** Organization & Membership Development	**5%** International	

COMMITMENT TO MANAGEMENT ACCOUNTING

The profession continues to benefit from the growth and success of the Chartered Global Management Accountant® (CGMA®) designation, the mark of talented and trusted management accountants, offered through our joint venture with the London-based organization, The Chartered Institute of Management Accountants (CIMA). Worldwide, more than 150,000 financial professionals are CGMA designation holders.

This past year, we made great strides in promoting the designation to employers, finance leaders and the global accounting profession. In October 2014, the AICPA and CIMA produced the *Global Management Accounting Principles©* to guide best practices and bring consistency to help organizations improve their decision-making and drive success. The Principles were created in consultation with CEOs, CFOs, academia, government bodies, regulators and other professionals across 20 countries on five continents, and can be applied in organizations large and small. Further, CGMA — powered by the AICPA and CIMA — was the lead sponsor of the 2014 World Congress of Accountants. The November 2014 event brought together nearly 4,000 accounting professionals from six continents. The AICPA and CIMA jointly developed a suite of resources in support of the event. More recently, in July 2015, CGMA and Bloomberg Radio co-presented a panel — *From Conformance to Performance: Developing the Finance Leaders of Tomorrow* — on the growing skills gap in the finance profession.

In January 2015, we opened the U.S. CGMA exam for registration, and the first CPAs sat for it in May 2015. This exam is a computerized case study that tests a candidate's readiness to apply management accounting knowledge in real-world business situations. Candidates from both the AICPA and CIMA are required to pass the same exam to become CGMA designation holders.

MEMBER LEARNING AND COMPETENCY

Delivering on the future of learning is a top AICPA priority on behalf of its members. Working with members, regulators and key stakeholders, and in support of the EAQ initiative, the AICPA developed a competency framework for the CPA profession that supports all major technical areas in which CPAs practice, including management accounting. The framework identifies the skills CPAs need, in specific contexts, to competently perform their work from foundational to expert levels.

In February 2015, the launch of the AICPA | CIMA *Competency and Learning* website brought the CGMA Competency Framework to life with more than 1,500 articles, publications, videos, webcasts and self-study courses to support lifelong learning and development for CGMA designation holders. The new website allows professionals to self-assess their technical, business, people and leadership competencies and gain competitive advantages in our intricate and ever-changing business world. CGMAs can more readily recognize gaps in their learning and develop their competence as they leverage nano-learning, videos and articles — whenever, wherever and however they want.

In May 2015, we added a competency framework for employee benefit plan auditing to the AICPA | CIMA *Competency and Learning website*, along with a new knowledge check feature that objectively assesses what professionals know about a particular topic. During Fiscal 2016, we will further enhance the website with the addition of several technical competency models that support the profession, including accounting, auditing and taxation.

During the past year, all AICPA continuing professional development courses — delivered by 49 state societies, in addition to the AICPA — have been transformed. Future of learning considerations are now woven throughout the curriculums from course manuals to in-class activities and multimedia. Plus, AICPA instructors participated in an intensive two-day workshop focused on learning facilitation. The AICPA's award-winning on-demand continuing professional development offerings have been upgraded and enriched as well. Self-study courses are more modular and mobile friendly; they include enhanced interactivity, more case studies and scenarios, integration with social learning channels and interactive review games.

An additional exciting development is the continued expansion of blended learning opportunities. Each program is available live, on-site and on-demand, which allows employers and firms to custom tailor delivery of learning to their teams, creating enhanced learning experiences and focusing live training on the competency development that matters most. Blended programs include our "staff essentials" curriculums for tax; audit; and preparation, compilation and review.

MEMBER SPECIALIZATION AND CREDENTIALING

In response to members' requests for more support in the rapidly growing not-for-profit sector, we launched two important initiatives in spring 2015: the Not-for-Profit Section and a foundational-level Not-for-Profit Certificate Program. Enrollments in both the section and the certificate are strong and feedback from the sector has been positive. Work is underway to offer an intermediate-level certificate program, and we continue to support our section members with timely communications and high-quality tools and resources.

Keeping with a long history of protecting the public interest, in May 2015, the AICPA announced the creation of two new credentials for fair value measurement for financial reporting purposes; one credential is focused on businesses and intangibles and one is focused on complex financial instruments. These credentials will be available next year to CPAs and other qualified professionals who meet rigorous credential requirements. The AICPA is committed to establishing consistent requirements for those who perform fair value measurements for financial statement purposes. We will continue to be a leader in identifying and implementing changes that will raise confidence, improve consistency and increase the auditability of fair value measurements used in financial statements.

MEMBER RESOURCES

The AICPA strives to keep pace with the CPA profession in a constantly changing and evolving global marketplace, as well as to provide our members with the tools and insights to grow and succeed in their chosen career path. Helping us learn about our members, the AICPA launched a new online quiz, What's Your True CPA Type?, to explore individual's characteristics, such as career aspirations, learning and competency and work-life balance preferences. The results allow our members to learn more about themselves. Respondents are classified by their "true CPA type," such as community seeker,

career builder, knowledge seeker or traditionalist. The information being gathered is painting a clearer picture of who AICPA members are and what motivates them, allowing us to better support and advance the profession.

We recognize the information we provide to our members must be delivered in a way that is easy to find and convenient to access. To help achieve that goal, we redesigned the *Journal of Accountancy* website, which has more than 375,000 users. The updated website launched in December 2014, and offers a renewed look and feel, including a responsive design that caters to desktop, tablet and mobile users. We also launched a refreshed *Tax Adviser* website in August 2015. The new site offers improved navigation and features additional content.

TOMORROW'S PROFESSION

The AICPA enhanced its efforts to maintain a robust supply of qualified talent and increase the diversity of the CPA profession, and we increased our investment in these areas. We are advocating to the College Board for an Advanced Placement (AP) course in accounting for high school students. The AICPA considers such a course critical in attracting students into the profession given research showing that taking a high school accounting course significantly influences a student's decision to major in accounting in college. Once the College Board approves the AP course, we look forward to working with the state societies to effectively implement the course. We have also begun a series of new initiatives to enhance our efforts to attract both high school and college students into the accounting profession, including upgraded digital properties, new marketing and communications and a focus on community college students.

The AICPA's National Commission on Diversity and Inclusion released the Recruitment and Retention Toolkit, an organizational diversity and inclusion assessment tool, and the "Present and Accounted For" campaign, intended to increase the awareness of the tools as well as the importance of diversity and inclusion in the profession. In December 2014, the AICPA hosted the Accounting Profession Diversity Pipeline Symposium on increasing diversity among CPAs. In addition, we are working more closely with the Financial Accounting Foundation (FAF) and NASBA on our diversity and inclusion efforts, including determining and addressing obstacles for minorities in sitting for and passing the CPA Exam.

In our ongoing efforts to promote the value of the CPA and highlight the impact the profession can have on businesses of all sizes, the AICPA launched the #CPAPOWERED campaign: CPA Secrets to a Better Business. This national program promotes CPAs to the small business community through an ongoing digital and social media campaign, positioning CPAs as trusted advisers who understand the unique needs of this critical market.

REPORT ON OPERATIONS

INVESTMENTS

In Fiscal 2015, the Institute's investments portfolio increased $6.5 million as a result of an increase in the market and reinvestment of dividends and interest income. The Institute's investments committee actively monitors the performance and allocation of its investment portfolios and responds to changes in market conditions while maintaining a long-term view of the markets. We follow a moderate risk approach to investing and maintain an investment portfolio that is diversified across equity and fixed income securities.

CPA EXAMINATION

In Fiscal 2015, the domestic Uniform CPA Examination (Domestic Examination) recognized $21.3 million in revenue and expensed costs equal to the revenue in accordance with our tri-party agreement with NASBA and Prometric. The agreement provides for the AICPA to break even with respect to revenue and costs over the life of the contract through 2024. As a result, the Institute has a liability of approximately $11.5 million at July 31, 2015, compared to $12.1 million at July 31, 2014. The liability is included in accounts payable and other liabilities in the accompanying combined statements of financial position.

In Fiscal 2015, the international administration of the CPA Exam (International Examination) continued in Bahrain, Brazil, Japan, Kuwait, Lebanon and the United Arab Emirates. International Examination revenue was approximately $2.5 million. The International Examination agreement does not provide for the AICPA to break even; accordingly, revenues and costs are recognized as earned or incurred, resulting in a profit of approximately $1.4 million in Fiscal 2015. We continue to seek opportunities to enter additional countries to continue to ensure the advancement of the U.S. CPA internationally.

LONG-TERM DEBT

At July 31, 2015, the AICPA had an outstanding term loan of $3.8 million for which $5.0 million of principal payments were made during the year. The remaining balance is scheduled to be repaid by April 2016.

DEFINED BENEFIT PLANS

Over the last several years, pension plan sponsors have been affected by the volatile market and interest rate environments, which have caused plan liabilities to increase. More recently, the release of updated mortality tables issued by the Society of Actuaries (SOA) in October 2014 have also resulted in an increase in plan liabilities.

The Institute has long been proactive in managing its pension plan (Plan) volatility. In Fiscal 2013, the AICPA accelerated its already scheduled Plan freeze from April 30, 2017, to June 30, 2013. In Fiscal 2014, the Institute undertook a one-time campaign to offer lump sum payments to the Plan's terminated vested participants in order to reduce the Plan's liabilities and further mitigate volatility within the Plan. The campaign resulted in a settlement for over 50 percent of the terminated vested participants and a reduction of plan liabilities of approximately $15.1 million.

The Institute continues to ensure the Plan is properly funded with contributions of $6.5 million in Fiscal 2015 and nearly $55 million since Fiscal 2005. The Plan's assets increased during the year from $93.1 million to $98.5 million as a result of the positive asset performance. The Plan's projected benefit obligation increased during the year from $117.7 million to $131.2 million due to the adoption of the SOA's updated mortality tables, offset by continued contributions into the Plan.

The AICPA uses a dynamic asset allocation strategy for the Plan, which is intended to reduce volatility of the Plan's funded status. As the Plan's funded status improves, the AICPA will increase the target allocation of the Plan's assets in fixed income investments and decrease the overall target allocation of the Plan's assets in equity investments. As of July 31, 2015 and 2014, the Plan's investment target allocation was 65% fixed income and 35% equity and other types of investments.

CPA.COM

CPA.com continued to successfully advance the new CPA.com company brand along with its mission of empowering CPAs and businesses for the digital age. Over the past year, CPA.com completed a number of key initiatives, including a new company website highlighting its growing set of cloud-based solutions for firms, upgrades to the underlying systems that support the AICPA Store, and an updated version of its learning management system platform. CPA.com also continued to grow its Digital CPA community, both through its signature conference and through practice development workshops and training focused on helping firms develop new business lines based on these new technology capabilities. For Fiscal 2015, CPA.com had $26.7 million in revenue and a net loss of approximately $1.2 million, which included a $1.3 million expense for goodwill amortization. CPA.com adopted the alternative accounting treatment available for private companies to amortize goodwill over a 10-year period as of the start of the fiscal year. If the goodwill amortization had not been recorded, CPA.com would have had net income of $0.1 million for the fiscal year. A not-for-profit entity is excluded from the definition of a Private Company. As such, amortization is reversed in combination.

COMBINED FINANCIAL RESULTS

These combined financial statements include the accounts of the AICPA, its subsidiaries, CPA.com and NorthStar Conferences, LLC (NorthStar), and the Related Organizations (AICPA Foundation, AICPA Benevolent Fund, Inc. and Accounting Research Association, Inc.) and the majority-owned joint venture with CIMA, the Association of International Certified Professional Accountants. The AICPA and NorthStar are not responsible for any liabilities or other obligations of CPA.com or the Related Organizations included in the combined financial statements. Highlights from our combined financial statements as of and for the year ended July 31, 2015, include the following:

- Total assets on a combined basis were $265.1 million in Fiscal 2015 compared to $264.9 million in Fiscal 2014. The small increase is the result of growth in investments due to market returns and dividend reinvestment and an increase in deferred costs and prepaid expenses due to software development. These increases were offset by a decline in certificates of deposit primarily related to continued pension funding, debt payments and capital expenditures.
- Total liabilities on a combined basis were $196.7 million in Fiscal 2015 compared to $189.4 million in Fiscal 2014. The increase is driven by the result of higher deferred employee benefits due to the adoption of the updated mortality tables offset by continued principal payments on long-term debt.
- Operating revenue on a combined basis was $247.5 million in Fiscal 2015 compared to $235.0 million in Fiscal 2014. The increase is driven by growth in our AICPA membership dues revenue as a result of record membership numbers, continued success of the CGMA designation and new Not-for-Profit Section. In addition, we saw an increase in professional development and member service conferences due to growth in virtual product lines, including conferences, on-demand and web events, as well as the addition of several new in-person conferences. We have also seen growth in our Business Solutions programs marketed through CPA.com.
- Operating expenses on a combined basis were $245.4 million in the Fiscal 2015 compared to $232.6 million in Fiscal 2014. The increase in Fiscal 2015 expenses is driven by an increase in professional development and member service conferences in line with the growth in revenue, an increase in member service expenses from regulatory, technical and international activities and an increase in technology expenses to deliver enhanced resources to our members.
- Cash provided by operating activities was $3.8 million in Fiscal 2015 compared to $25.5 million in Fiscal 2014. The decrease is primarily related to the timing of receipts of our membership dues, funding of our pension plan and reinvestment into the next version of the CPA Exam.
- Cash provided by investing activities was $1.3 million in Fiscal 2015, primarily due to the liquidation of long-term certificates of deposit offset by capital expenditures. In Fiscal 2014, cash used in investing activities was $18.9 million, primarily related to purchase of certificates of deposit due to excess cash at year-end offset by liquidation of investments to fund technology initiatives.
- Cash used in financing activities was $5.0 million in Fiscal 2015 and 2014 related to principal payments on the long-term debt, which will be paid off in April 2016.

CONCLUSION

With the perspectives gained from this year's activities and accomplishments, the AICPA remains poised to lead the profession forward. We are devoting the resources necessary to enhance audit quality and support critical specializations within the accounting profession, as well as a continual focus on quality initiatives and other public interest activities. We continue to innovate and evolve the content and delivery of our learning products and resources to keep pace with the needs of our members. The AICPA maintains our long-standing commitment to ensure the integrity and relevance of the accounting profession's services throughout the global economy.

Management believes that the AICPA has sufficient liquidity and working capital to meet its needs in the upcoming fiscal year, and it continues to monitor current economic conditions and their impact on the Fiscal 2016 operating results. Along with the Finance Committee and our Board of Directors, we monitor our liquidity both on a short-term basis as well as a long-term basis to ensure we can execute our strategic plan.

MANAGEMENT'S RESPONSIBILITIES FOR FINANCIAL STATEMENTS AND INTERNAL CONTROL

Financial Statements

The financial statements of the American Institute of Certified Public Accountants and Related Organizations (Institute) were prepared by management, which is responsible for their reliability and objectivity. The statements have been prepared in conformity with accounting principles generally accepted in the United States of America and, as such, include amounts based on informed estimates and judgments of management. Financial information elsewhere in this Annual Report is consistent with that in the financial statements.

The Board of Directors, operating through its Audit Committee, which is composed entirely of directors who are not officers or employees of the Institute, provides oversight of the financial reporting process and safeguarding of assets against unauthorized acquisition, use or disposition. The Audit Committee annually recommends the appointment of independent public accountants and submits its recommendation to the Board of Directors, and then to the governing Council, for approval.

The Audit Committee meets with management, the independent public accountants and the internal auditor; approves the overall scope of audit work and related fee arrangements; and reviews audit reports and findings. In addition, the independent public accountants and the internal auditor meet separately with the Audit Committee, without management representatives present, to discuss the results of their audits, the adequacy of the Institute's internal control, the quality of its financial reporting, and the safeguarding of assets against unauthorized acquisition, use or disposition.

The financial statements have been audited by an independent public accounting firm, CohnReznick LLP, which was given unrestricted access to all financial records and related data, including minutes of all meetings of the governing Council, the Board of Directors and committees of the Board of Directors. The Institute believes that all representations made to the independent public accountants during their audits were valid and appropriate.

The report of the independent public accountants follows this statement.

Internal Control

The Institute maintains internal control over financial reporting and over safeguarding of assets against unauthorized acquisition, use or disposition which is designed to provide reasonable assurance to the Institute's management and Board of Directors regarding the preparation of reliable financial statements and the safeguarding of assets. Internal control includes a documented organizational structure, a division of responsibility, and established policies and procedures, including a code of conduct, to foster a strong ethical climate.

Established policies are communicated throughout the Institute and enhanced through the careful selection, training and development of its staff. Internal auditors monitor the operation of internal control and report findings and recommendations to management and the Board of Directors. Corrective actions are taken, as required, to address control deficiencies and implement improvements.

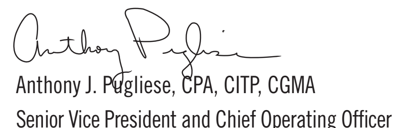
There are inherent limitations in the effectiveness of any system of internal control, including the possibility of human error and the circumvention or overriding of controls. Accordingly, even the most effective internal control can provide only reasonable assurance with respect to financial statement preparation and the safeguarding of assets. Furthermore, the effectiveness of internal control can change with circumstances.

The Institute has assessed its internal control over financial reporting in relation to criteria described in "*Internal Control – Integrated Framework (2013)*" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, the Institute believes that, as of July 31, 2015, its internal control over financial reporting and over safeguarding of assets against unauthorized acquisition, use or disposition met those criteria.

CohnReznick LLP was also engaged to report separately on the Institute's assessment of its internal control over financial reporting and over safeguarding of assets against unauthorized acquisition, use or disposition.

The report of the independent public accountants follows this statement.

Barry C. Melancon, CPA, CGMA
President and CEO



Anthony J. Pugliese, CPA, CITP, CGMA
Senior Vice President and Chief Operating Officer

INDEPENDENT AUDITOR'S REPORTS

To the Members of the American Institute of Certified Public Accountants

We have examined management's assertion, included in the accompanying statement of management's responsibilities for financial statements and internal control, that American Institute of Certified Public Accountants and Related Organizations maintained effective internal control over financial reporting and over safeguarding of assets against unauthorized acquisition, use or disposition as of July 31, 2015, based on criteria established in "Internal Control — Integrated Framework (2013)" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Internal control includes a documented organizational structure, a division of responsibility and established policies and procedures, including a code of conduct, to foster a strong ethical climate. Management is responsible for maintaining effective internal control over financial reporting and over safeguarding of assets, and against unauthorized acquisition, use or disposition. Our responsibility is to express an opinion on management's assertion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included obtaining an understanding of the internal control over financial reporting and over safeguarding of assets against unauthorized acquisition, use or disposition, testing, and evaluating the design and operating effectiveness of the internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

Because of inherent limitations in any internal control, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal control over financial reporting and over safeguarding of assets against unauthorized acquisition, use or disposition to future periods are subject to the risk that the internal control may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assertion that American Institute of Certified Public Accountants and Related Organizations maintained effective internal control over financial reporting and over safeguarding of assets against unauthorized acquisition, use or disposition as of July 31, 2015, is fairly stated, in all material respects, based on criteria established in "Internal Control — Integrated Framework (2013)" issued by the Committee of Sponsoring Organizations of the Treadway Commission.

CohnReznick LLP
Roseland, New Jersey
September 21, 2015

To the Members of the American Institute of Certified Public Accountants

We have audited the accompanying combined financial statements of American Institute of Certified Public Accountants and Related Organizations, which comprise the combined statements of financial position as of July 31, 2015 and 2014, and the related combined statements of activities, preferred stock and net assets and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined financial statements in order to design audit procedures that are appropriate in the circumstances. 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 combined financial statements.

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

Opinion
In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of American Institute of Certified Public Accountants and Related Organizations as of July 31, 2015 and 2014, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CohnReznick LLP
Roseland, New Jersey
September 21, 2015

FINANCIAL STATEMENTS JULY 31, 2015 AND 2014

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS AND RELATED ORGANIZATIONS

COMBINED STATEMENTS OF FINANCIAL POSITION
JULY 31, 2015 AND 2014

	2015	2014
	($000)	
ASSETS:		
Cash and cash equivalents	$ 43,680	$ 43,551
Certificates of deposit	11,337	23,438
Investments	138,820	132,281
Accounts and notes receivable, net of allowance for doubtful accounts	13,659	14,761
Contributions receivable, net of discount	3	495
Deferred costs and prepaid expenses	26,716	16,914
Goodwill and other intangible assets	12,553	12,553
Furniture, technology and leasehold improvements, net	18,299	20,936
Totals	$ 265,067	$ 264,929
LIABILITIES:		
Accounts payable and other liabilities	$ 46,949	$ 45,418
Advance dues	79,251	77,048
Unearned revenue	12,145	11,408
Long-term debt	3,750	8,750
Deferred rent	12,441	14,009
Deferred employee benefits	42,122	32,719
Total liabilities	196,658	189,352
PREFERRED STOCK AND NET ASSETS:		
Preferred stock of CPA.com	35,790	36,594
Net assets:		
Unrestricted:		
AICPA and related organizations, excluding cumulative unrecognized prior service credit, net, and actuarial loss — deferred employee benefits	105,350	96,065
Deferred employee benefits — cumulative prior service credit, net, and actuarial loss	(51,714)	(36,515)
Total AICPA	53,636	59,550
CPA.com, excluding cumulative unrecognized prior service credit, net, and actuarial loss — deferred employee benefits	(24,202)	(25,052)
Deferred employee benefits — cumulative prior service credit, net, and actuarial loss	(133)	(95)
Total CPA.com	(24,335)	(25,147)
Total unrestricted	29,301	34,403
Temporarily restricted	2,670	3,932
Permanently restricted	648	648
Total net assets	32,619	38,983
Total preferred stock and net assets	68,409	75,577
Totals	$ 265,067	$ 264,929

See Notes to Combined Financial Statements.

	2015	2014
	($000)	
CHANGES IN NET ASSETS:		
Operating revenue:		
Dues	**$ 131,063**	$ 124,677
Publications	**20,990**	21,355
Professional development and member service conferences	**47,942**	43,089
Professional examinations	**23,821**	23,794
Investment and sundry income	**22,064**	19,925
Contributions	**1,649**	2,170
Total operating revenue	**247,529**	235,010
Operating expenses:		
Program services:		
Publications	**25,555**	25,318
Professional development and member service conferences	**40,516**	36,619
Member services:		
Regulation and legislation	**29,512**	27,535
Technical	**19,428**	18,595
International	**10,948**	6,993
Other	**13,187**	13,440
Professional examinations	**22,864**	22,894
Communications and public relations	**12,075**	12,328
Support and scholarships	**6,661**	7,206
Assistance programs	**754**	1,008
Supporting activities:		
General management	**22,597**	22,627
Organization and membership development	**11,565**	11,877
Technology	**29,743**	26,130
Total operating expenses	**245,405**	232,570
Excess of operating revenue over expenses before other charges	**2,124**	2,440
Other charges:		
Pension and postretirement benefit charges over net periodic cost	**(15,237)**	(459)
Interest income incurred on derivative financial instruments	**263**	445
Totals	**(14,974)**	(14)
Excess (deficit) of operating revenue over (under) expenses	**(12,850)**	2,426
Gains (losses) on investments:		
Realized	**9,663**	5,541
Unrealized	**(3,981)**	5,324
Totals	**5,682**	10,865
Change in net assets	**(7,168)**	13,291
Net assets, beginning of year	**38,983**	25,692
Conversion of preferred stock into common stock	**804**	–
Net assets, end of year	**$ 32,619**	$ 38,983

See Notes to Combined Financial Statements.

($000)

	AICPA and Related Organizations	CPA.com	TOTAL
2015:			
Preferred stock		**$ 35,790**	**$ 35,790**
Net assets:			
Unrestricted	**$ 53,636**	**(24,335)**	**29,301**
Temporarily restricted	**2,670**	**–**	**2,670**
Permanently restricted	**648**	**–**	**648**
Total net assets	**56,954**	**(24,335)**	**32,619**
Totals	**$ 56,954**	**$ 11,455**	**$ 68,409**
2014:			
Preferred stock		$ 36,594	$ 36,594
Net assets:			
Unrestricted	$ 59,550	(25,147)	34,403
Temporarily restricted	3,932	–	3,932
Permanently restricted	648	–	648
Total net assets	64,130	(25,147)	38,983
Totals	$ 64,130	$ 11,447	$ 75,577

See Notes to Combined Financial Statements.

	2015	2014
	($000)	
Increase in cash and cash equivalents:		
Operating activities:		
Cash received from members and customers	**$ 249,714**	$ 248,952
Interest and dividends received	**2,349**	2,015
Cash paid to suppliers, employees and others	**(247,706)**	(224,787)
Interest paid	**(417)**	(695)
Income taxes paid	**(133)**	(11)
Net cash provided by operating activities	**3,807**	25,474
Investing activities:		
Payments for purchase of amortizable assets	**(7,688)**	(3,367)
Payments for purchase of furniture and technology	**(2,234)**	(2,964)
Payments for purchase of certificates of deposit	**(51,841)**	(54,113)
Payments for purchase of investments	**(45,155)**	(15,354)
Proceeds from sale of certificates of deposit	**63,942**	32,175
Proceeds from sale of investments	**44,298**	24,680
Net cash provided by (used in) investing activities	**1,322**	(18,943)
Financing activities:		
Repayment of long-term debt	**(5,000)**	(5,000)
Net cash used in financing activities	**(5,000)**	(5,000)
Net increase in cash and cash equivalents	**129**	1,531
Cash and cash equivalents, beginning of year	**43,551**	42,020
Cash and cash equivalents, end of year	**$ 43,680**	$ 43,551

See Notes to Combined Financial Statements.

	2015	2014
	($000)	
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	**$ (7,168)**	$ 13,291
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization:		
Furniture, technology and leasehold improvements	**4,868**	4,359
Internal software	**1,062**	1,737
Loss on disposal of furniture, technology, leasehold improvements and software	**3**	4
Gain on sale of investments	**(9,663)**	(5,541)
Unrealized (gain) loss on investments	**3,981**	(5,324)
Deferred taxes	**117**	(1,009)
Provision for:		
(Gain) loss on accounts and notes receivable	**(421)**	349
Discount on contributions receivable	**(7)**	(35)
Deferred rent	**(1,568)**	(1,204)
Deferred employee benefits	**16,361**	5,133
Changes in operating assets and liabilities:		
Accounts and notes receivable	**1,523**	(1,810)
Contributions receivable	**499**	982
Deferred costs and prepaid expenses	**(2,007)**	(128)
Accounts payable and other liabilities	**245**	3,450
Advance dues	**2,203**	16,213
Unearned revenue	**737**	259
Deferred employee benefits	**(6,958)**	(5,252)
Total adjustments	**10,975**	12,183
Net cash provided by operating activities	**$ 3,807**	$ 25,474
Supplemental disclosures of noncash investing activities:		
Furniture, technology, leasehold improvements and internal software	**$ 1,286**	$ 1,114

See Notes to Combined Financial Statements.

NOTES TO COMBINED FINANCIAL STATEMENTS

NOTE 1 – ORGANIZATION

The combined financial statements include the accounts of American Institute of Certified Public Accountants (AICPA), its for-profit subsidiaries, CPA2Biz, Inc. (D/B/A CPA.com) and NorthStar Conferences LLC (NorthStar), (collectively AICPA and Subsidiaries), and the following related organizations: the Accounting Research Association, Inc. (ARA); the AICPA Benevolent Fund, Inc. (Benevolent Fund); the American Institute of Certified Public Accountants Foundation (Foundation); and the Association of International Certified Professional Accountants (International Association), which have been combined in accordance with accounting standards for not-for-profit organizations. The AICPA, the ARA and the Foundation are incorporated in the District of Columbia; CPA.com and NorthStar are incorporated in Delaware; the Benevolent Fund is incorporated in New York and the International Association is a Verein formed in Switzerland (Swiss Verein). As used herein, the "Institute" includes the AICPA and Subsidiaries and the related organizations.

The AICPA is the national professional organization for Certified Public Accountants. It provides members with the resources, information and leadership that enable them to provide services in the highest professional manner. CPA.com is the exclusive online and offline marketing agent for certain products and services of the AICPA and for maintaining the official website for the sale of AICPA products (see Note 10). NorthStar provides professional development programs and conferences for various industries. The mission of the ARA is to provide funds for studies and research in regard to principles and standards of the accounting profession (see Note 12). The Benevolent Fund provides temporary financial assistance to members of the AICPA and their families. The Foundation advances the science of accountancy and accounting education by funding a number of activities, including the promotion of diversity within the accounting profession. The Foundation also initiated the Accounting Doctoral Scholars program (ADS) to focus on the shortage of academically qualified university accounting faculty (see Note 11).

In May 2011, the AICPA's governing Council voted unanimously to approve an agreement with the London-based organization, The Chartered Institute of Management Accountants (CIMA), to create a new Chartered Global Management Accountant designation for professional management accountants worldwide. As a result, the International Association was formed on January 1, 2012, whereby the AICPA owns 60% and CIMA owns 40%.

The AICPA and State Societies Network, Inc., composed of substantially all of the individual state societies of CPAs located throughout the United States, are equal percentage members of Shared Services, LLC (SSLLC), a Delaware limited liability company, organized for the purpose of managing shared services between the AICPA and participating state societies. The AICPA accounts for its 50% investment in SSLLC on the equity method, although the investment remains at zero as of July 31, 2015. SSLLC maintains a limited amount of activity, principally group buying power on certain products and services for the benefit of the AICPA and participating state societies. SSLLC's Board of Directors continues to explore additional opportunities to fulfill its mission.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

All significant intercompany accounts and transactions have been eliminated in combination.

The financial statement presentation follows the accounting standards for not-for-profit organizations. Under these standards, an organization is required to report information regarding its financial position and activities according to three classes of net assets depending on the existence and/or nature of any donor restrictions as follows: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

The Foundation is a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). Disclosures about an organization's endowment funds (both donor restricted endowment funds and board designated endowment funds) are required whether or not the organization is subject to UPMIFA. As stated in Note 1, the Foundation is incorporated in the District of Columbia. The District of Columbia adopted UPMIFA effective in 2008. The Foundation's Board of Trustees has determined that the majority of the Foundation's net assets do not meet the definition of endowment under UPMIFA. The Foundation is governed subject to its Constitution and Bylaws. Certain contributions are received subject to other gift instruments or are subject to specific agreements with the Foundation. Under the terms of the Constitution and Bylaws, the Board of Trustees has the ability to distribute so much of the corpus of any trust or separate gift, devise, bequest or fund as the Board of Trustees in its sole discretion shall determine. As a result of the ability to distribute corpus, all contributions not classified as temporarily restricted or permanently restricted are classified as unrestricted net assets for financial statement purposes and are not subject to donor-imposed stipulations.

Temporarily restricted net assets consist of restricted contributions receivable and the remaining portion of donor-restricted endowment funds that are not classified as permanently restricted net assets. When donor restrictions expire, that is, when a stipulated time restriction ends or a purpose restriction is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Foundation reports that support as unrestricted.

Permanently restricted net assets are subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Such permanently restricted net assets represent the fair value of the original gift as of the gift date and the original value of subsequent gifts to donor-restricted endowment funds.

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

Certain accounts in the 2014 combined financial statements have been reclassified to conform with the current year's presentation.

Valuation of assets and liabilities

The Institute considers investments with an original maturity of 90 days or less when purchased to be cash equivalents. As of July 31, 2015 and 2014, the Institute's cash equivalents consisted primarily of short-term U.S. Treasury obligations and money market funds.

Certificates of deposit have maturity dates greater than 90 days and less than one year.

Investments in equity securities with readily determinable fair values and all investments in debt securities and investment partnerships are reported at fair value with unrealized gains and losses included in the combined statements of activities. The investment partnership represents ownership in a private investment partnership that trades foreign equity securities under the direction of asset managers.

The carrying amounts of cash and cash equivalents, certificates of deposit, receivables and accounts payable approximate fair value because of the short-term nature of the items. The fair value of equity securities and fixed income securities is determined by quoted market prices. The fair value of the investment partnership is determined by the asset manager based on the market values of the underlying equity securities. The fair value of long-term debt is based on current interest rates for similar debt instruments. The fair value of derivative instruments is based on current settlement value.

Inventories consist of paper and material stock, publications in process and printed publications and course material and are stated at the lower of cost or market. A moving average method is used for determining inventory cost. Inventories are reflected as a component of deferred costs and prepaid expenses in the accompanying combined statements of financial position.

Goodwill represents the excess of the purchase price over the fair value of net assets acquired in business acquisitions that occurred after July 1, 2002, and are accounted for under the purchase accounting method. Other intangibles include identifiable intangible assets purchased by CPA.com, primarily in connection with business acquisitions, and are presented net of related accumulated amortization and impairment charges. Goodwill is not amortized and is evaluated annually for impairment.

In January 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-02 "Intangibles — Goodwilll and Other (Topic 350) — Accounting for Goodwill," which allows a Private Company to amortize goodwill over an appropriate period, not to exceed 10 years. CPA.com adopted this standard as of the beginning of the 2015 fiscal year for its financial statements (see Note 10). A not-for-profit entity is excluded from the definition of a Private Company. As such, amortization is reversed in combination.

The Institute records impairment losses on goodwill and other intangibles when events and circumstances indicate that such assets might be impaired and the estimated fair value of the asset is less than its recorded amount. Conditions that would necessitate an impairment assessment include material adverse changes in operations, significant adverse differences in actual results in comparison with initial valuation forecasts prepared at the time of acquisition, a decision to abandon acquired products, services or technologies, or other significant adverse changes that would indicate the carrying amount of the recorded asset might not be recoverable.

Furniture, technology, and leasehold improvements are stated at cost, less accumulated depreciation or amortization computed on the straight-line method. Furniture and technology are depreciated over their estimated useful lives of 3 to 10 years. Leasehold improvements are amortized over the shorter of their useful lives or the remainder of the lease period.

Concentrations of credit risk

Financial instruments, which potentially subject the Institute to concentrations of credit risk, include cash and cash equivalents, certificates of deposit, short-term investments, investments, accounts and notes receivable, contributions receivable and derivative financial instruments used in hedging activities. The Institute considers investments with an original maturity of 90 days or less when purchased to be cash equivalents. At times, the Institute's cash exceeds the current insured amounts under the Federal Deposit Insurance Corporation (FDIC). As of July 31, 2015 and 2014, the Institute's cash balance exceeded the current insured amount under FDIC by approximately $5,823,000 and $7,875,000. For the years ended July 31, 2015 and 2014, the Institute placed its cash equivalents in the Certificate of Deposit Account Registry Service, which is fully insured by the FDIC, and in Sweep Investment Accounts (Sweep Accounts) collateralized by U.S. Treasury obligations, which are not insured nor guaranteed by the FDIC. As of July 31, 2015 and 2014, the balance in the Sweep Accounts was $23,233,000 and $31,573,000. The Institute holds bonds and notes issued by the U.S. Government and financially strong corporations. By policy, these investments are kept within limits designed to prevent risks caused by concentration.

As of July 31, 2015 and 2014, cash and cash equivalents temporarily restricted as to use for the ADS Program (see Note 11) were $1,059,000 and $491,000. As of July 31, 2015 and 2014, certificates of deposit temporarily restricted as to use for the ADS Program were $900,000 and $2,000,000.

Restricted cash is limited in use for legislative consulting services. At July 31, 2015 and 2014, restricted cash, which is included in cash and cash equivalents on the combined statements of financial position, totaled $848,000 and $757,000.

Credit risk with respect to accounts receivable is also limited because the Institute deals with a large number of customers in a wide geographic area. The Institute closely monitors the extension of credit to its customers while maintaining allowances for potential credit losses. On a periodic basis, the Institute evaluates its accounts receivable and establishes an allowance for doubtful accounts, based on a history of past write-offs and collections and

current credit considerations. As of July 31, 2015 and 2014, the allowance for doubtful accounts was $1,783,000 and $2,204,000.

Notes received by the Benevolent Fund in connection with assistance payments to members and their families are recorded as assets, net of amounts deemed uncollectible. Notes are noninterest bearing and are due upon the death of the member and spouse and/or sale of the mortgaged property. Credit risk with respect to receivables is limited because the Benevolent Fund secures notes from a limited number of payment recipients in a wide geographic area. The Benevolent Fund closely monitors the extension of notes to its members while maintaining allowances for potential losses. On a periodic basis, the Benevolent Fund evaluates its receivables and establishes an allowance for doubtful accounts, based on a history of past write-offs and collections and current credit considerations.

The Institute is exposed to loss in the event of nonperformance by the counterparty on the interest rate swap contract used in hedging activities. The counterparty is a large financial institution and the Institute does not anticipate nonperformance by the counterparty. Consequently, as of July 31, 2015, the Institute has no significant concentrations of credit risk.

Derivative financial instruments

The Institute utilizes derivative financial instruments to reduce interest rate risk. The Institute does not hold or issue derivative financial instruments for trading purposes. The Institute recognizes all derivatives as either assets or liabilities in the combined statements of financial position and measures those instruments at fair value. Changes in the fair value of those instruments are reported in the combined statements of activities.

Revenue recognition

Revenue from dues is recorded in the applicable membership period.

Revenue from publications, professional development and member service conferences and professional examinations is recognized when goods are shipped to customers or services are rendered.

Revenue from subscriptions is deferred and recognized on the straight-line method over the term of the subscriptions, which is primarily for one year.

Revenue related to affinity contracts is recognized when earned, in accordance with the respective agreements.

Advertising revenue is recorded as print or electronic publications are issued.

Revenue is recognized net of any related sales taxes.

The AICPA entered into a third-party agreement that provides for the AICPA to break even with regards to revenue earned and certain external and internal costs incurred in developing, maintaining and providing the computerized Uniform CPA Examination in jurisdictions (Jurisdictions) recognized as member bodies of the National Association of State Boards of Accountancy (NASBA), referred to as the Domestic Examination. Accordingly, such revenue or costs have been deferred and are reflected in the accompanying combined statements of financial position net of revenue or cost recognized (see Note 8). The AICPA also entered into a third-party agreement (International Examination Agreement) for the AICPA to provide the computerized Uniform CPA Examination, on behalf of the Jurisdictions, to select international locations (International Examination). The International Examination Agreement does not provide for the AICPA to break-even; accordingly, revenues and costs are recognized as earned or incurred.

Contributions are recorded as unrestricted, temporarily restricted or permanently restricted when received depending on the existence and/or nature of any donor restrictions. Donated investments are recorded as contributions at their estimated fair values on the date of donation. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

A large number of people have contributed significant amounts of time to the activities of the Institute. The combined financial statements do not reflect the value of these contributed services because they do not meet the criteria for recognition.

Promotions and advertising

Costs of promotions and advertising are expensed as incurred. Total promotion and advertising expenses were $6,498,000 and $6,109,000 for the years ended July 31, 2015 and 2014.

Accounting for website and software development costs

All costs incurred in the planning stage of developing a website are expensed as incurred as are internal and external training costs and maintenance costs. Fees incurred to Internet service providers in return for hosting a website on their servers are expensed over the period of benefit.

Fees paid to consultants that develop computer systems and software used for the Institute's internal reporting and management functions are deferred and amortized on the straight-line method over a three- to five-year period that begins when the system becomes operational.

External and internal costs, excluding general and administrative costs and overhead costs, incurred during the application development stage of internal use website software are capitalized. Such costs include external direct costs of materials and services consumed in developing or obtaining website software, payroll and payroll-related costs for employees who are directly associated with and who devote time to developing website software, and interest costs incurred while developing website software. Upgrades and enhancements that result in additional functionality to the website software, which enable it to perform tasks that it was previously incapable of performing, are also capitalized.

Capitalized internal use website development costs are amortized on the straight-line method over its estimated useful life of three years and begins when all substantial testing of the website is completed and the website is ready for its intended use.

All costs in the preliminary project stage for other computer software developed for internal use are expensed as incurred. Internal and external costs, excluding general and administrative costs, incurred during the application development stage are capitalized. Upgrades and enhancements that result in additional functionality to existing software, which enable it to perform tasks that it was previously incapable of performing, are also capitalized.

Income taxes

The AICPA and ARA are organized as 501(c)(6) not-for-profit organizations under the Internal Revenue Code (Code). Certain income of the AICPA, however, is subject to taxation. The Benevolent Fund and Foundation are organized as 501(c)(3) not-for-profit organizations under the Code. CPA.com and NorthStar are organized as for-profit entities. NorthStar, however, is organized as a single member LLC. As a single member LLC, any taxable income or loss of the LLC is passed on to the member and taxable in accordance with the member's tax status. Accordingly, NorthStar's taxable income will be incorporated into the unrelated business income of the AICPA. The International Association is formed as a Swiss Verein and, as such, does not engage in commercial activity. The Finance Department of the Canton of Zurich has determined the entity is tax exempt and reviews its exemption status on an annual basis.

CPA.com accounts for income taxes pursuant to the asset and liability method, which requires deferred income tax assets and liabilities to be computed annually for temporary differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the temporary differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

The Institute has analyzed tax positions taken for filing with the Internal Revenue Service and state jurisdictions where it operates. The Institute does not anticipate any adjustments that would result in a material adverse effect on the Institute's financial condition, results of operations or cash flows. The Institute's U.S. Federal income tax returns prior to fiscal year 2012 are closed and management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

As of July 31, 2015 and 2014, the Institute did not recognize any interest and penalties associated with tax matters.

Employee benefit plans

The Institute sponsors a defined benefit pension plan and postretirement benefit plan and reports the funded status of the plans in its combined statements of financial position and measures the plan assets and benefit obligations as of July 31.

Subsequent events

The Institute has evaluated events and transactions for potential recognition or disclosure through September 21, 2015, which is the date the combined financial statements were available to be issued.

NOTE 3 – INVESTMENTS

Investments consist of:

	2015	2014
	($000)	
Equity securities	**$ 68,466**	$ 71,897
Fixed income securities	**61,882**	51,495
Limited partnership	**8,472**	8,889
Total fair value	**138,820**	132,281
Unrealized gains	**17,420**	21,401
Total cost	**$ 121,400**	$ 110,880

Investment income consists of:

	2015	2014
	($000)	
Dividends and interest	**$ 2,345**	$ 2,012
Realized gains	**9,663**	5,541
Unrealized gains (losses)	**(3,981)**	5,324
	$ 8,027	$ 12,877

NOTE 4 – FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Institute has the ability to access.

Level 2: Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the assets or liabilities;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at July 31, 2015 and 2014.

Common stocks: Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Institute are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Institute are deemed to be actively traded.

Foreign stocks and private equity investments: The Institute's foreign stocks are valued at the closing price reported on the active market on which the individual securities are traded. The Institute's private equity investments include a direct investment in a limited partnership. Investment in the limited partnership is designated as a level 2 instrument. The NAV, as provided by the limited partnership, is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investments held by the fund less its liabilities. This practical expedient is not used when it is determined to be probable that the fund will sell the investment for an amount different than the reported NAV.

Hedging instruments: To estimate the fair value of the interest rate swap liability as of the measurement date, the Institute obtains inputs other than quoted prices that are observable for the liability. These inputs include current interest rates and consider nonperformance risk of the Institute and that of its counterparties (see Note 7).

The following tables set forth by level, within the fair value hierarchy, the Institute's assets at fair value as of July 31, 2015 and 2014:

	2015		
	Fair Value Measurements Using		
	Level 1	Level 2	Total
		($000)	
***Equity securities:**			
U.S. Large-Cap growth	$ 16,253		$ 16,253
U.S. Large-Cap value	14,734		14,734
U.S. Mid-Cap growth	6,250		6,250
U.S. Mid-Cap value	5,259		5,259
U.S. Small-Cap blend	10,448		10,448
International Equity	11,050		11,050
Real estate: Global	4,472		4,472
Totals	68,466		68,466
****Fixed income securities:**			
U.S. Government, corporate bonds, and other fixed income	61,882		61,882
Limited partnership:			
International Equity value		$ 8,472	8,472
Total assets measured at fair value	$ 130,348	$ 8,472	$ 138,820
Financial derivative instruments:			
Interest rate swap		$ 72	$ 72
Total liabilities measured at fair value		$ 72	$ 72

	2014		
	Fair Value Measurements Using		
	Level 1	Level 2	Total
		($000)	
***Equity securities:**			
U.S. Large-Cap growth	$ 17,520		$ 17,520
U.S. Large-Cap value	15,688		15,688
U.S. Mid-Cap growth	5,513		5,513
U.S. Mid-Cap value	5,909		5,909
U.S. Small-Cap blend	10,704		10,704
International Equity	11,261		11,261
Real estate: Global	5,302		5,302
Totals	71,897		71,897
****Fixed income securities:**			
U.S. Government, corporate bonds and other fixed income	51,495		51,495
Limited partnership:			
International Equity value		$ 8,889	8,889
Total assets measured at fair value	$ 123,392	$ 8,889	$ 132,281
Financial derivative instruments:			
Interest rate swap		$ 335	$ 335
Total liabilities measured at fair value		$ 335	$ 335

*Includes common stocks, foreign stocks, and equity mutual funds.
**Includes fixed income mutual funds invested in corporate funds, foreign bonds and U.S. Government securities.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Institute believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Included in the Institute's combined statements of financial position as of July 31, 2015, and 2014, are investments of $138,820,000 and $132,281,000, and accounts payable and other liabilities related to the interest rate swap of $72,000 and $335,000. Such amounts have been measured at fair value on a recurring basis.

The investment in limited partnership has certain redemption restrictions. Withdrawals can be made from the capital account at the end of each month by giving prior notice to the general partner on or before the 15th day of such month. Once the withdrawal is made, it cannot be cancelled without the general partner's written consent to such cancellation. Withdrawal payments are made as soon as practicable, generally not more than 10 business days after the withdrawal date, but the general partner intends to pay withdrawal proceeds as quickly as possible.

The following table summarizes investments measured at fair value based on the NAV per share as of July 31, 2015 and 2014:

Investment Name	**Fair Value July 31, 2015**	Fair Value July 31, 2014	Unfunded Commitment	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
	($000)				
Mondrian All Countries World Ex-US Equity Fund, L.P.	**$ 8,472**	$ 8,889	-	Monthly	15 days

Mondrian All Countries World Ex-US Equity Fund, L.P.
The Fund pursues its investment objective primarily by investing in the global equity securities of non-U.S. issuers, including the securities of emerging market companies. Equity securities in which the Fund may invest include, but are not limited to, common stocks, preferred stocks, convertible securities, index-related securities, certain non-traditional equity securities and warrants.

NOTE 5 – FURNITURE, TECHNOLOGY, AND LEASEHOLD IMPROVEMENTS

Furniture, technology, and leasehold improvements consist of:

	2015		2014
		($000)	
Furniture	$ 5,549		$ 5,123
Technology	22,067		22,048
Leasehold improvements	21,018		20,232
	48,634		47,403
Less accumulated depreciation and amortization	30,335		26,467
	$ 18,299		$ 20,936

NOTE 6 – GOODWILL

Goodwill and other intangible assets are as follows:

	2015		2014
		($000)	
Goodwill	$ 12,553		$ 12,553
Other intangible assets:			
Contracts and technology	5,645		5,645
Less accumulated amortization	5,645		5,645
Contracts and technology, net	–		–
	$ 12,553		$ 12,553

There is no amortization expense on intangible assets with definitive lives for the years ended July 31, 2015 and 2014.

The Institute performs an annual impairment test of goodwill in the fourth quarter of each year. In 2015, as permitted by ASU No. 2011-08 "Intangibles — Goodwill and Other (Topic 350)," the Institute performed a qualitative analysis and determined it was more likely than not that the fair value of CPA.com exceeds its carrying value. In 2014, the Institute performed a quantitative analysis using the market-value method, which compared CPA.com's net book value to the value indicated by the fair value of CPA.com's equity securities. Goodwill was not impaired for the years ended July 31, 2015 and 2014.

NOTE 7 – LONG-TERM DEBT

Long-term debt at July 31, 2015 and 2014, was $3,750,000 and $8,750,000. The long-term debt is a term note payable in equal quarterly installments of $1,250,000 through April 29, 2016. Interest is payable at three-month LIBOR plus 155 basis points, which was 1.83% at July 31, 2015.

The term note of $3,750,000 is collateralized by certain investments, which may not fall below 125% of the sum of the outstanding principal balance of the term note at any time. At July 31, 2015, the collateral had a market value of $93,730,000. The guarantor of the term note is NorthStar.

Interest expense for the years ended July 31, 2015 and 2014, was $157,000 and $253,000.

Based on borrowing rates currently available, the fair value of long-term debt at July 31, 2015 and 2014 is approximately $3,726,000 and $8,641,000.

The term note payable has an interest rate swap contract that expires on April 29, 2016, and was executed to reduce the impact on interest expense fluctuations on the $3,750,000 notional amount of the variable rate debt. The contract, designated as a cash flow hedge, effectively converted the variable rate to a fixed rate of 5.77%. At July 31, 2015 and 2014, the fair value of the interest rate swap was a liability of approximately $72,000 and $335,000 and has been reflected as a component of accounts payable and other liabilities in the combined statements of financial position. The corresponding adjustment to interest expense is reflected separately as a component of other charges in the combined statements of activities.

NOTE 8 – COMMITMENTS AND CONTINGENCIES

Computerization of the Uniform CPA Examination

In connection with the Domestic Examination, the AICPA is party to an agreement with NASBA and Prometric, which expires in 2024, whereby the AICPA delivers the Domestic Examination in a computer-based format. NASBA developed and maintains the National Candidate Database, which serves as the gateway for candidates applying to take the Domestic Examination. Prometric is responsible for providing scheduling, test preparation, test delivery and results processing of the Domestic Examination in a computer-based testing environment consistent with AICPA and NASBA requirements.

The AICPA receives fees through NASBA based upon the number of examinations taken. The agreement provides for the AICPA to break even with regard to costs incurred in developing and maintaining the Domestic Examination. Through July 31, 2015, approximately $204,000,000 of revenue and $192,514,000 of costs have been incurred. During the years ended July 31, 2015 and 2014, the AICPA recognized revenue of approximately $21,268,000 and $21,056,000. Accordingly, costs equal to the revenue recognized have been expensed. At July 31, 2015 and 2014, the balance of $11,486,000 and $12,129,000 is included in accounts payable and other liabilities in the accompanying combined statements of financial position.

In conjunction with the International Examination Agreement, the Institute offers the International Examination in Bahrain, Brazil, Japan, Kuwait, Lebanon and the United Arab Emirates.

Lease commitments

The Institute has several long-term leases for the rental of real estate. The leases include provisions for the abatement of rental payments, amounts to be paid to the Institute by the landlords, as well as scheduled base rent increases over the respective lease terms.

The total amount of the base rent payments, net of the amounts to be paid to the Institute by the landlords, is being charged to expense using the straight-line method over the respective lease terms.

Minimum rental commitments on non-cancelable real estate and equipment leases in effect as of July 31, 2015, exclusive of future escalations for real estate taxes and building operating expenses, less future minimum sublease rentals, are:

Year Ending July 31,	Amount ($000)
2016	$ 8,005
2017	8,440
2018	8,927
2019	8,217
2020	6,548
Years subsequent to 2020	39,713
Future minimum rental commitments	$ 79,850

Rental expense for the years ended July 31, 2015 and 2014, was $7,461,000 and $7,503,000.

Other commitments

The Institute has other commitments for service agreements in place with various vendors. Minimum commitments in effect as of July 31, 2015, are:

Year Ending July 31,	Amount ($000)
2016	$ 3,061
2017	786
2018	724

Letters of credit

As of July 31, 2015, the Institute has irrevocable standby letters of credit associated with its North Carolina and Washington, DC, leases of $167,000 and $89,000, which expire on July 31, 2016 and January 20, 2016.

Line of credit

The AICPA has available a line of credit with a bank for short-term borrowings of up to $27,000,000 at the bank's prevailing interest rate. Amounts outstanding under the line of credit are collateralized by certain investments (see Note 7). There were no outstanding borrowings at July 31, 2015, beyond the letters of credit. The line of credit expires on April 30, 2017.

Litigation

From time to time, the Institute is a defendant in actions arising in the ordinary course of business. In the opinion of management, such litigation will not have a material adverse effect on the Institute's financial condition or change in net assets.

NOTE 9 – EMPLOYEE BENEFIT PLANS

Defined benefit pension plan

The Institute sponsors a noncontributory defined benefit pension plan (the Plan) for qualifying employees. The amount of the annual benefit to be paid at normal retirement date is based on credited service, which varies based on participant hire dates. In April 2013, the Institute received Board of Directors' approval to amend the Plan and accelerate the already scheduled Plan freeze from April 30, 2017, to June 30, 2013. The Board of Directors also approved a one-time campaign to offer lump sum payments to the Plan's terminated vested participants in order to reduce the Plan's liabilities and further mitigate volatility. These participants are no longer employed by the AICPA; however, they are vested but are not yet eligible to receive benefits. The campaign began on August 15, 2013, and ended on September 30, 2013, resulting in a liability settlement of $15,074,000 and a one-time settlement charge of $4,114,000 in 2014. Additional lump sums paid during the remainder of the year resulted in a liability settlement of $1,061,000 and settlement charges of $315,000.

The Society of Actuaries (SOA) published mortality tables and improvement scales are used in developing the best estimate of mortality for plans in the U.S. On October 27, 2014, the SOA published updated mortality tables and an updated improvement scale, both of which reflect longer anticipated lifetimes. Based on an evaluation of these new tables and perspective of future longevity, the Institute updated the mortality assumptions for purposes of measuring the pension and postretirement health care plans at July 31, 2015.

Economic assumptions used to determine the benefit obligations recognized in the combined statements of financial position are:

	July 31, 2015	July 31, 2014
Discount rate	**4.35%**	4.35%
Rate of compensation increase	**N/A**	N/A

Weighted average assumptions used to determine the net periodic benefit cost are:

	July 31, 2015	July 31, 2014	October 31, 2013
Discount rate	**4.35%**	4.90%	4.85%
Expected return on plan assets	**6.15%**	6.45%	6.45%
Rate of compensation increase	**N/A**	N/A	N/A

The Institute is utilizing a yield curve methodology to determine its discount rate. This methodology uses a weighted average yield to determine the Plan's discount rate by forecasting the Plan's expected benefit payments by year.

The expected return on Plan assets was derived by reviewing historical returns, preparing several models about future expected returns using the current diversified asset mix and conducting a historical study of market recoverability.

For the year ending July 31, 2016, the Institute expects to contribute $6,000,000 to the Plan. The following tables provide further information about the Institute's Plan:

	July 31, 2015	($000)	July 31, 2014
Projected benefit obligation	**$ 131,227**		$ 117,735
Fair value of plan assets, net of plan liabilities of $145 and $94	**98,486**		93,148
Net unfunded status of the plan recognized as a liability in the combined statements of financial position	**$ 32,741**		$ 24,587
Employer contributions	**$ 6,450**		$ 4,800
Benefit payments	**$ (5,626)**		$ (5,302)
Accumulated benefit obligation	**$ 131,227**		$ 117,735
Periodic benefit cost for the year ended	**$ 1,214**		$ 4,966

Included in periodic benefit cost for the year ended July 31, 2014, is $4,429,000 of expense related to recognition of unrecognized prior service cost as a result of the settlement in 2014.

Amounts in unrestricted net assets that have not yet been recognized as a component of net periodic benefit cost comprise the following:

	Unrecognized Prior Service Cost	Actuarial (Gain) Loss ($000)	Total
Balance, July 31, 2013	$ 444	$ 35,750	$ 36,194
Increase during 2014	-	4,361	4,361
Amortization during 2014	(11)	(5,120)	(5,131)
Balance, July 31, 2014	433	34,991	35,424
Increase during 2015	-	**14,245**	**14,245**
Amortization during 2015	**(11)**	**(843)**	**(854)**
Balance, July 31, 2015	**$ 422**	**$ 48,393**	**$ 48,815**

Included in the increase in the actuarial loss for the year ended July 31, 2015, is a loss of approximately $14,200,000 relating to the increase in the projected benefit obligation as a result of the adoption of the new mortality tables.

The amounts in unrestricted net assets and expected to be recognized as a component of net periodic benefit cost for the year ending July 31, 2016, are $11,000 and $1,073,000, representing amortization of net prior service cost and amortization of actuarial loss.

Estimated future Plan payments reflecting expected future service for each of the five years subsequent to July 31, 2015, and in the aggregate for the five years thereafter are as follows:

Year Ending July 31,		Amount
		($000)
2016	$	5,608
2017		5,868
2018		6,089
2019		6,232
2020		6,497
2021 to 2025		35,417

The Institute's overall investment strategy is to provide for growth of capital with a moderate level of volatility. The expected long-term rate of return for the Plan's assets is based on the expected return of each of the asset categories, weighted based on the median of the target allocation for the class. All investments are chosen with care, skill, prudence and due diligence with the assistance of a paid investment consultant. Performance of each investment manager is reviewed quarterly and interviews of each investment manager are generally conducted within a two-year cycle by an investments committee comprised of Institute members with investment industry experience. Investment risk is managed in several ways, including, but not limited to, the creation of a diversified portfolio across multiple asset classes and geographic regions. A listing of permitted and prohibited investments is maintained in the Institute's Statement of Investment Policy, dated August 2012.

The Institute adopted a dynamic asset allocation strategy for the Plan, which is intended to reduce volatility with the Plan's funded status as the funded status improves over time. As the Plan's funded status improves, the Institute will increase the target allocation of the Plan's assets in fixed income investments and decrease the overall target allocation of the Plan's assets in equity and other types of investments. For both fiscal 2015 and 2014, the target asset allocations were 65% fixed income and 32% equity securities and 3% other types of investments. Fixed income investments include securities issued or guaranteed by the U.S. Government, its agencies or government-sponsored enterprises, mutual funds, as well as corporate bonds from diversified industries and mortgage-backed and asset-backed securities. Equity investments include investments of large-cap, mid-cap and small-cap companies located in the United States as well as investments of non-United States based companies. Other types of investments include an investment in a limited partnership that holds positions in non-United States based companies.

The fair values of the Institute's Plan assets at July 31, 2015 and 2014, by asset category, are as follows:

	2015 Fair Value Measurements Using		
	Level 1	Level 2	Total
		($000)	
Equity securities:			
U.S. Large-Cap growth	**$ 7,484**		**$ 7,484**
U.S. Large-Cap value	**7,106**		**7,106**
U.S. Mid-Cap growth	**3,140**		**3,140**
U.S. Mid-Cap value	**3,417**		**3,417**
U.S. Small-Cap blend	**5,566**		**5,566**
International Equity	**5,801**		**5,801**
Real estate: Global	**3,291**		**3,291**
Totals	**35,805**		**35,805**
Fixed income securities:			
U.S. Government, corporate bonds and other fixed income funds	**38,788**	**$ 18,992**	**57,780**
Other – International Equity value		**4,700**	**4,700**
	$ 74,593	**$ 23,692**	**$ 98,285**

	2014 Fair Value Measurements Using		
	Level 1	Level 2	Total
		($000)	
Equity securities:			
U.S. Large-Cap growth	$ 6,509		$ 6,509
U.S. Large-Cap value	6,326		6,326
U.S. Mid-Cap growth	2,704		2,704
U.S. Mid-Cap value	3,113		3,113
U.S. Small-Cap blend	4,924		4,924
International Equity	5,403		5,403
Real estate: Global	3,163		3,163
Totals	32,142		32,142
Fixed income securities:			
U.S. Government, corporate bonds and other fixed income funds	38,191	$ 17,719	55,910
Other – International Equity value		4,874	4,874
	$ 70,333	$ 22,593	$ 92,926

The following table sets forth the investment strategy and redemption terms for the investment that is measured at the net asset value per share as of July 31, 2015 and 2014:

Investment Name	**Fair Value July 31, 2015**	Fair Value July 31, 2014	Unfunded Commitment	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
	($000)				
Mondrian All Countries World Ex-US Equity Fund, L.P. (A)	**$4,700**	$4,874	-	Monthly	15 days

(A) See Note 4 — Fair Value Measurements for description of the fund.

Postretirement plan

The Institute sponsors employee postretirement health care and life insurance plans for qualifying employees hired before May 1, 2003, and contributes toward the annual cost of retirees remaining in these plans.

Economic assumptions used to determine the benefit obligations recognized in the combined statements of financial position are:

	July 31, 2015	July 31, 2014
Discount rate	**4.15%**	4.15%

Weighted average assumptions used to determine the net periodic benefit cost are:

	July 31, 2015	July 31, 2014
Discount rate	**4.15%**	4.60%

The Institute is utilizing a yield curve methodology to determine its discount rate. This methodology uses a weighted average yield to determine the postretirement plan's discount rate by forecasting the postretirement plan's expected benefit payments by year.

For the year ending July 31, 2016, the Institute expects to contribute $582,000 to the postretirement plan.

The following table provides further information about the Institute's postretirement plan:

	July 31, 2015	July 31, 2014
	($000)	
Postretirement benefit obligation	**$ 9,381**	$ 8,132
Net unfunded status of the plan recognized as a liability in the combined statements of financial position	**$ 9,381**	$ 8,132
Employer contributions	**$ 508**	$ 452
Benefit payments	**$ (574)**	$ (605)
Periodic benefit income for the year ended	**$ (90)**	$ (292)

Amounts in unrestricted net assets that have not yet been recognized as a component of net periodic benefit cost comprise the following:

	Unrecognized Prior Service Credit	Actuarial (Gain) Loss	Total
		($000)	
Balance, July 31, 2013	$ (4,088)	$ 4,045	$ (43)
Increase during 2014	–	545	545
Amortization during 2014	1,005	(321)	684
Balance, July 31, 2014	(3,083)	4,269	1,186
Increase during 2015	**–**	**1,378**	**1,378**
Amortization during 2015	**813**	**(345)**	**468**
Balance, July 31, 2015	**$ (2,270)**	**$ 5,302**	**$ 3,032**

Included in the increase in the actuarial loss for the year ended July 31, 2015, is a loss of approximately $1,400,000 relating to the increase in the projected benefit obligation as a result of the adoption of the new mortality tables.

The amounts in unrestricted net assets and expected to be recognized as a component of net periodic benefit cost for the year ending July 31, 2016, are ($808,000) and $575,000, representing amortization of net prior service credit and amortization of actuarial loss.

The weighted average health care cost trend rate and the ultimate trend rate used in measuring the postretirement benefit expense is 5%. For those retiring prior to May 1, 2003, the plan is assumed to meet the actuarial equivalence definition of Medicare Part D. This conclusion is based upon guidance issued to date and an analysis of the plan's prescription programs compared to Medicare Part D. A subsidy of $64,000 was received during the year ended July 31, 2014.

Estimated future postretirement benefit payments reflecting expected future service for each of the five years subsequent to July 31, 2015, and in the aggregate for the five years thereafter are as follows:

Year Ending July 31	Amount
	($000)
2016	$ 582
2017	590
2018	602
2019	613
2020	606
2021 to 2025	3,566

Defined benefit pension and postretirement plans

The total unrecognized prior service credit, net and the total actuarial loss for the defined benefit pension and postretirement plans have been aggregated and reflected as a separate component of unrestricted net assets on the combined statements of financial position. As of July 31, 2015 and 2014, such amounts total $(51,847,000) and $(36,610,000).

Defined contribution plans

The AICPA and CPA.com also sponsor separate 401(k) defined contribution plans covering substantially all employees meeting minimum age and service requirements. Participation in the plans is optional and employer contributions being made to the plan are in amounts equal to a certain percentage of employees' contributions. The cost of these plans was $4,884,000 and $4,311,000 for the years ended July 31, 2015 and 2014.

Deferred compensation

The AICPA has a nonqualified deferred compensation plan for certain key employees. Amounts accrued under this plan are $4,452,000 and $3,789,000 as of July 31, 2015 and 2014, and are included in the accompanying combined statements of financial position as a component of accounts payable and other liabilities.

NOTE 10 – CPA.COM

CPA.com is a provider of cloud-based Business Solutions targeting the practice management, client services and developmental needs of AICPA members. CPA.com is also responsible for marketing certain AICPA products and services, managing certain AICPA affinity programs and for providing certain technology services support to the AICPA.

In return for the services provided to AICPA, CPA.com is paid either a fee or commission. CPA.com accounts for the revenue on sales of AICPA products net as an agent. The net amount is the amount charged to the customer less the amount paid to the supplier, which in most cases is the AICPA.

Summarized financial information of CPA.com as of and for the years ended July 31, 2015 and 2014, is as follows:

	2015		2014
		($000)	
Total assets	**$ 25,824**		$ 26,257
Total liabilities	**$ 9,785**		$ 9,006
Preferred stock	**35,790**		36,594
Common stockholders' deficiency	**(19,751)**		(19,343)
Total liabilities and equity	**$ 25,824**		$ 26,257
Total revenue (A)	**$ 26,711**		$ 25,018
Net income (loss) (B)	**$ (1,212)**		$ 1,718

(A) Includes approximately $12,459,000 and $11,851,000 in commissions for services rendered for marketing and promotion of certain AICPA product lines and approximately $14,252,000 and $13,167,000 for Business Solutions, AICPA's affinity services, technology services to the AICPA and other business lines for the years ended July 31, 2015 and 2014.

(B) Net income (loss) includes $1,255,000 and $0 of amortization of goodwill in 2015 and 2014 (see Note 2).

As of July 31, 2015 and 2014, the aggregate number of shares of all classes of stock which CPA.com is authorized to issue is (i) 120,000,000 shares of common stock, par value $.01 per share (Common Stock) and (ii) 40,000,000 shares of preferred stock, par value $.01 per share, of which 24,000,000 shares have been designated 8% Series A Convertible Preferred Stock (Series A) and 8,000,000 shares designated 8% Series B Convertible Preferred Stock (Series B).

As of July 31, 2015 and 2014, the 8,000,000 authorized shares of preferred stock, which are not considered to be either Series A or Series B, have not been issued.

Common Stock has voting rights, but no liquidation privileges. Dividends may only be paid after the holders of both Series A and Series B have received the dividends to which they are entitled for that year.

Series A and Series B have rights to a liquidation preference whereby the Series A is senior to Series B and both are senior to Common Stock. Series A and Series B also have rights to an 8% noncumulative dividend, when and if declared by the Board of Directors of CPA.com, as well as a conversion right into Common Stock at the option of the holder, and anti-dilution protection. The holders of Series A and Series B vote with the holders of the Common Stock as if they were a single class. In addition, the holders of Series A and Series B have special voting rights relating to the creation of more senior preferred stock.

During the year ended July 31, 2015, two stockholders of Series B elected to convert a total of 157,000 shares into an equal number of Common Stock, thereby reducing the Preferred Stock of CPA.com by $804,000.

As of July 31, 2015, the AICPA and the Foundation control approximately 77% of CPA.com's voting rights. In accordance with CPA.com's amended shareholder agreement, the AICPA's voting percentage will exceed 50% in perpetuity, subject to the AICPA's approval to a transaction in which additional shares are issued to an investor. Notwithstanding the AICPA's controlling interest in CPA.com, the AICPA does not guarantee any of the obligations nor is it responsible for any of CPA.com's liabilities. For the years ended July 31, 2015 and 2014, the primary source of funding for CPA.com has been the preferred stockholders and its own current operations; the AICPA has only paid a de minimus amount of cash for its stock.

The AICPA has a note receivable from CPA.com, which is fully collateralized by CPA.com's website and other digital assets of CPA.com, bears a 4.25% interest rate and is due on December 31, 2019. Under the terms of the note, interest is paid monthly beginning in July 2005. The principal balance of the note of $4,344,000 and related accrued interest for the periods prior to fiscal 2005 of $1,042,000 have been eliminated in consolidation.

At July 31, 2015, CPA.com has deferred tax assets of approximately $32,231,000, which arise primarily from net operating loss carryforwards for Federal and state income tax purposes of approximately $29,750,000 and $1,844,000 expiring in 2020 through 2035 and certain other temporary differences. Included in these net operating losses are pre-acquisition losses of approximately $23,700,000, which are subject to annual limitations. Due to the uncertainty of the realization of the deferred tax assets, substantially a full valuation allowance has been provided. The deferred tax asset at July 31, 2015 and 2014, was $3,594,000 and $3,711,000. At July 31, 2015, the deferred tax asset decreased by $117,000 based on management's belief that it is more likely than not $3,594,000 of deferred tax asset will be realized before expiration, although realization is not assured. The amount of the deferred tax asset considered realizable could change in the near term if estimates of future taxable income during the net operating loss carryforward period change. The effect of the change in the deferred tax asset has been included in supporting activities — general management in the combined statement of activities.

NOTE 11 – PREFERRED STOCK AND NET ASSETS

Preferred stock and net assets and changes therein for the years ended July 31, 2015 and 2014, follow:

	Balance, August 1, 2013	Increase (Decrease)	Balance, July 31, 2014	**Increase (Decrease)**	**Balance, July 31, 2015**
			($000)		
Preferred stock of CPA.com	$ 36,594	$ –	$ 36,594	**$ (804)**	**$ 35,790**
Net assets:					
Unrestricted:					
AICPA	34,559	10,832	45,391	**(6,653)**	**38,738**
CPA.com	(27,224)	2,077	(25,147)	**812**	**(24,335)**
ARA	441	(1)	440	**(1)**	**439**
Benevolent Fund	8,142	677	8,819	**364**	**9,183**
Foundation	5,543	714	6,257	**479**	**6,736**
International Association	(1,282)	(75)	(1,357)	**(103)**	**(1,460)**
	20,179	14,224	34,403	**(5,102)**	**29,301**
Temporarily restricted:					
Foundation	4,865	(933)	3,932	**(1,262)**	**2,670**
Permanently restricted:					
Foundation	648	–	648	**–**	**648**
Total net assets	25,692	13,291	38,983	**(6,364)**	**32,619**
Total preferred stock and net assets	$ 62,286	$ 13,291	$ 75,577	**$ (7,168)**	**$ 68,409**

Temporarily restricted net assets are subject to donor-imposed stipulations that can be met either by actions of the Foundation and/or the passage of time.

Temporarily restricted net assets consist of diversity and inclusion, accounting education and research initiatives as follows:

	2015	2014
	($000)	
Accounting Doctoral Scholars (ADS)	**$ 1,958**	$ 2,994
Advanced Placement Program Support	**6**	50
Financial Education Initiatives	**1**	1
John L. Carey Scholarships	**247**	272
Library Support	**61**	70
National Commission on Diversity and Inclusion Support	**397**	397
Pathways Commission Support	**-**	148
	$ 2,670	$ 3,932

Based on indications of support through its ADS program, the Foundation expects to receive approximately $17,000,000 from CPA firms, state CPA societies and other organizations over the course of the program to increase the number of accounting Ph.D.s in existing doctoral programs. The Foundation finalizes the indications of support by obtaining executed pledge agreements.

Included in contributions receivable are unconditional promises to give pertaining to the ADS program, the Diversity program and the Advanced Placement program. Amounts due in future periods, based on executed pledge agreements received, are as follows:

	2015	2014
	($000)	
Less than one year	$ 2	$ 502
One to five years	1	–
	3	502
Discount	-	(7)
	$ 3	$ 495

Contributions receivable are recorded at the full amount and discounted using a discount rate reflective of the AICPA's borrowing rate for the year the pledge was made. As of July 31, 2014, contributions receivable have been determined using discount rates ranging from 1.31% to 3.46%. There was no discount recorded as of July 31, 2015. There were no new commitments in 2015 or 2014.

The Foundation monitors and evaluates contributions receivable and establishes a provision for doubtful accounts based on a history of past write-offs and collections and current credit considerations. As of July 31, 2015 and 2014, the Foundation did not believe that significant credit risk existed and no allowance for doubtful accounts was recorded.

The Foundation's permanently restricted net assets represent a permanent Library Endowment Fund created to support the AICPA Library, the income of which is temporarily restricted.

The Foundation has investment and spending policies for its Library Endowment Fund that attempt to provide a predictable stream of funding for the program supported by the endowment while seeking to maintain the purchasing power of the endowment assets. The Foundation's spending and investment policies work together to achieve this objective. The Foundation's endowment assets are commingled in a diversified portfolio of equity and fixed income securities in order to provide for growth with a moderate level of volatility.

The Library Support Fund represents income earned on the Library Endowment Fund principal and temporarily restricted for the support of the AICPA Library maintained and operated by the University of Mississippi. Per current spending policy, the Foundation is committed each year to spend no greater than the fund balance of the Library Support Fund.

The Foundation includes net investment income, which is comprised of interest and dividends and realized and unrealized gains and losses, on its permanently restricted Library Support Fund as part of temporarily restricted net assets. At July 31, 2015 and 2014, the Foundation had permanently restricted net assets of $648,000. For the years ended July 31, 2015 and 2014, the permanently restricted Library Support Fund generated net investment gains of $12,000 and $43,000. For the years ended July 31, 2015 and 2014, amounts appropriated for expenditure from the Library Support Fund were $20,000 in each year.

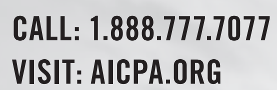
NOTE 12 – ARA

The ARA's mission is to provide funds for studies and research in regard to principles and standards of the accounting profession. The ARA did not fund any research during the years ended July 31, 2015 and 2014. ARA's Board of Trustees continues to explore additional opportunities to fulfill its mission.

NOTE 13 – OTHER RELATED PARTY TRANSACTIONS

The AICPA receives royalty, advertising and general and administrative services fees from the American Institute of Certified Public Accountants Insurance Trust (Trust). The AICPA received net revenue of $4,777,000 and $4,726,000 from the Trust for the years ended July 31, 2015 and 2014.

NOTES



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