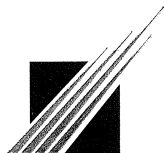


**NASBA CENTER FOR THE
PUBLIC TRUST, INC.**

FINANCIAL STATEMENTS

JULY 31, 2012 and 2011



LATTIMORE BLACK MORGAN & CAIN, PC
CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS



LATTIMORE BLACK MORGAN & CAIN, PC
CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
NASBA Center for the Public Trust, Inc.

We have audited the accompanying statements of financial position of the NASBA Center for the Public Trust, Inc. (a nonprofit organization) as of July 31, 2012 and 2011, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these 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 financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the NASBA Center for the Public Trust, Inc. as of July 31, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Lattimore Black Morgan & Cain, PC

Brentwood, Tennessee
September 30, 2012

NASBA Center for the Public Trust, Inc.
Statements of Activities
For the Twelve Months Ended July 31

	2012				2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and Support								
Contributions	\$ 374,271	\$ 57,205	\$ 56,203	\$ 487,679	\$ 307,831	\$ 31,371	\$ 28,427	\$ 367,629
Ethics Network membership fees	7,600	-	-	7,600	351	-	-	351
Investment income	822	-	-	822	-	-	-	-
Net assets released from restrictions	10,358	(10,358)	-	-	-	-	-	-
Total revenue and support	393,051	46,847	56,203	496,101	308,182	31,371	28,427	367,980
Program Expenses								
Ethics Advancement	74,415	-	-	74,415	37,310	-	-	37,310
Student Center for the Public Trust	224,768	-	-	224,768	158,015	-	-	158,015
Conferences	5,633	-	-	5,633	27,370	-	-	27,370
Total program expenses	304,816	-	-	304,816	222,695	-	-	222,695
Supporting Expenses								
Administrative	58,256	-	-	58,256	78,768	-	-	78,768
Development	69,286	-	-	69,286	71,580	-	-	71,580
Total supporting expenses	127,542	-	-	127,542	150,348	-	-	150,348
Total Expenses	432,358	-	-	432,358	373,043	-	-	373,043
Increase (Decrease) in Net Assets	(39,307)	46,847	56,203	63,743	(64,861)	31,371	28,427	(5,063)
Net Assets, Beginning of Year	12,808	31,371	28,427	72,606	77,669	-	-	77,669
Net Assets, End of Year	<u>\$ (26,499)</u>	<u>\$ 78,218</u>	<u>\$ 84,630</u>	<u>\$ 136,349</u>	<u>\$ 12,808</u>	<u>\$ 31,371</u>	<u>\$ 28,427</u>	<u>\$ 72,606</u>

See Accompanying Notes to Financial Statements

NASBA Center for the Public Trust, Inc.
Statements of Functional Expenses

Year Ended	Program Expenses					Supporting Expenses		
	Ethics		Student		Total	Administrative	Development	Total
	Advancement	Center for the Public Trust	Conferences					
Year Ended July 31, 2012								
Salaries and related costs	\$ 32,705	\$ 97,412	\$ 2,913	\$ 133,030	\$ 35,767	\$ 32,138	\$ 67,905	\$ 200,935
Travel and meetings	23,617	75,182	2,471	101,270	1,066	21,262	22,328	123,598
Marketing and sponsorships	5,069	8,742	-	13,811	-	328	328	14,139
Professional fees	590	29,883	-	30,473	8,553	880	9,433	39,906
Printing and postage	7,254	4,632	226	12,112	2,648	3,748	6,396	18,508
Occupancy	354	3,540	-	3,894	1,699	1,487	3,186	7,080
Telephone	258	852	23	1,133	1,273	136	1,409	2,542
State fees and permits	750	-	-	750	1,601	7,558	9,159	9,909
Credit card fees	269	-	-	269	383	1,273	1,656	1,925
Supplies	808	211	-	1,019	475	127	602	1,621
Depreciation	-	-	-	-	4,482	-	4,482	4,482
Equipment rentals	1,241	1,240	-	2,481	132	-	132	2,613
Other	1,500	3,074	-	4,574	177	349	526	5,100
Totals	\$ 74,415	\$ 224,768	\$ 5,633	\$ 304,816	\$ 58,256	\$ 69,286	\$ 127,542	\$ 432,358
Year Ended July 31, 2011								
Salaries and related costs	\$ 13,058	\$ 86,912	\$ 16,644	\$ 116,614	\$ 30,116	\$ 29,687	\$ 59,803	\$ 176,417
Travel and meetings	5,960	47,980	8,945	62,885	35,414	20,727	56,141	119,026
Marketing and sponsorships	8,448	12,813	149	21,410	-	7,462	7,462	28,872
Professional fees	7,174	350	-	7,524	7,000	-	7,000	14,524
Printing and postage	722	5,720	971	7,413	3,781	2,966	6,747	14,160
Occupancy	310	2,457	402	3,169	-	-	-	3,169
Telephone	125	984	165	1,274	1,268	634	1,902	3,176
State fees and permits	-	-	-	-	-	6,651	6,651	6,651
Credit card fees	-	-	-	-	-	1,183	1,183	1,183
Supplies	349	266	7	622	112	26	138	760
Depreciation	-	-	-	-	-	148	148	148
Equipment rentals	67	531	87	685	718	342	1,060	1,745
Other	1,097	2	-	1,099	359	1,754	2,113	3,212
Totals	\$ 37,310	\$ 158,015	\$ 27,370	\$ 222,695	\$ 78,768	\$ 71,580	\$ 150,348	\$ 373,043

See Accompanying Notes to Financial Statements

NASBA Center for the Public Trust, Inc.
Statements of Financial Position
July 31

	<u>2012</u>	<u>2011</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 67,882	\$ 100,166
Accounts receivable	321	8,459
Contributions receivable	43,735	62,356
Prepaid expenses	<u>2,120</u>	<u>2,014</u>
Total current assets	<u>114,058</u>	<u>172,995</u>
Long-term Assets		
Contributions receivable	72,453	22,447
Endowment fund	<u>63,260</u>	<u>1,500</u>
Total long-term assets	<u>135,713</u>	<u>23,947</u>
Total assets	<u><u>\$ 249,771</u></u>	<u><u>\$ 196,942</u></u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 65,702	\$ 9,262
Due to NASBA	47,051	111,215
Deferred revenue	<u>669</u>	<u>3,859</u>
Total liabilities	<u>113,422</u>	<u>124,336</u>
Net Assets		
Unrestricted	(26,499)	12,808
Temporarily restricted	78,218	31,371
Permanently restricted	<u>84,630</u>	<u>28,427</u>
Total net assets	<u>136,349</u>	<u>72,606</u>
Total liabilities and net assets	<u><u>\$ 249,771</u></u>	<u><u>\$ 196,942</u></u>

See Accompanying Notes to Financial Statements

NASBA Center for the Public Trust, Inc.
Statements of Cash Flow
For the Twelve Months Ended July 31

	<u>2012</u>	<u>2011</u>
Operating Activities		
Increase (decrease) in net assets	\$ 63,743	\$ (5,063)
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Depreciation of property and equipment	-	148
Total contributions restricted for endowment	(56,203)	(28,427)
Changes in assets and liabilities		
(Increase) decrease in:		
Receivables	(28,804)	(11,530)
Prepaid expenses	(106)	1,563
Increase (decrease) in:		
Due to NASBA	(64,164)	111,215
Accounts payable and accrued expenses	56,440	9,262
Deferred revenue	(3,190)	3,859
Net cash provided (used) by operating activities	<u>(32,284)</u>	<u>81,027</u>
Investing Activities		
Proceeds from equipment exchange	-	2,272
Funds restricted for endowment	(61,760)	(1,500)
Net cash provided (used) by investing activities	<u>(61,760)</u>	<u>772</u>
Financing Activities		
Cash contributions restricted for endowment	61,760	1,500
Net cash provided by financing activities	<u>61,760</u>	<u>1,500</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(32,284)	83,299
Cash and Cash Equivalents, Beginning of Year	<u>100,166</u>	<u>16,867</u>
Cash and Cash Equivalents, End of Year	<u>\$ 67,882</u>	<u>\$ 100,166</u>
Non-cash Investing and Financing Activities		
Contributions receivable restricted for endowment	<u>\$ 19,443</u>	<u>\$ 26,927</u>

See Accompanying Notes to Financial Statements

NASBA Center for the Public Trust, Inc.
Notes to Financial Statements

Note 1. Organization

The NASBA Center for the Public Trust, Inc. (the "CPT") is a nonprofit, public benefit corporation whose mission is to champion the public trust by advancing ethical leadership in business, institutions and organizations. Ethics advancement programs recognize individuals and organizations that practice high standards of social responsibility and ethical leadership and provide forums for the same. The Student Center for the Public Trust focuses on educating and engaging future business leaders on ethics, accountability and integrity through student membership groups at colleges and universities. In addition, the CPT sponsors lectures, conferences and seminars dedicated to addressing the duty of professionals to serve the public good, along with a focus on the issues that arise in the practical ethics of public life.

Note 2. Significant Accounting Policies

Basis of presentation

The financial statements of the CPT have been prepared on the accrual basis of accounting under which revenue is recognized when earned and expenses when incurred in accordance with U.S. generally accepted accounting principles ("GAAP").

Cash and cash equivalents

Cash equivalents include investments in money market funds and are used to meet the operating needs of the organization. Cash is maintained in Federal Deposit Insurance Corporation ("FDIC") insured financial institutions. At times, such amounts may exceed the FDIC insurance limits.

Receivables and credit policies

Accounts receivable are uncollateralized obligations arising from contractual agreements with customers and the CPT anticipates collection within 30 days unless otherwise specified. Contributions receivable are unconditional written promises to give which are recorded in the year the promise is made. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. Contributions receivable are discussed more fully in Note 3. The carrying amount of receivables is evaluated and reduced by a valuation allowance, if necessary. The need for an allowance is determined based on management's knowledge of its customers or contributors, historical loss experience and existing economic conditions. Management has determined that no allowance is required at July 31, 2012 or 2011.

Prepaid expenses

Prepaid expenses consist of services paid in advance with a remaining period of use available.

Net assets

Unrestricted net assets are available for use in general operations. Temporarily restricted net assets have donor-imposed restrictions which permit the use of the donated assets in accordance with the donor restriction. Temporarily restricted contributions and investment income used for the purpose specified by the donor in the same year as reported are classified as increases in unrestricted net assets. Permanently restricted net assets have donor-imposed restrictions in which the principal will remain permanently invested. Temporarily and permanently restricted net assets are discussed more fully in Note 6.

Revenue recognition

Contributions are recognized as revenue when the contribution or written pledge is received. Membership fees are deferred when received and recognized over the period of the membership.

Income taxes

The CPT is exempt from federal and state income taxes under the provisions of Internal Revenue Code Section 501(c)(3) and applicable state tax statutes.

Reclassification

Certain prior year information has been reclassified to conform to the current year presentation.

NASBA Center for the Public Trust, Inc.
Notes to Financial Statements

Note 2. Significant Accounting Policies (Continued)

Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Contributed Services

Many individuals contribute amounts of time to the CPT's activities. The value of these individuals' services is not recorded in the financial statements because such services would typically not be purchased by the CPT if they had not been provided by contribution. Meeting and travel expenses for these individuals are reimbursed by the CPT and included in the financial statements.

Subsequent events

The CPT has evaluated events and transactions that occurred from the date of the financial statements through September 30, 2012, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements. No subsequent events require adjustments to or disclosure in the financial statements.

Note 3. Contributions Receivable

Contributions receivable consist of the following unconditional promises to give at July 31, 2012 and 2011:

	2012	2011
Amounts due in:		
Less than one year	\$ 43,750	\$ 62,825
One to five years	75,829	23,600
Total contributions receivable	119,579	86,425
Less unamortized discount	3,391	1,622
Present value of total contributions receivable	116,188	84,803
Less current contributions receivable	43,735	62,356
Non-current contributions receivable	\$ 72,453	\$ 22,447

Note 4. Fair Value Measurement

The carrying amounts for cash, cash equivalents, receivables, and accounts payable approximate fair value due to the short-term maturity of these financial instruments.

Note 5. Endowment and Board-designated Funds

During fiscal 2011, the David A. Costello Endowment Fund (the "endowment fund") was established. The income generated from the endowment fund will be restricted to benefit the Student Center for the Public Trust and Ethics Network. The principal of the endowment fund will remain permanently invested.

Activities of the endowment fund are as follows:

	2012	2011
Endowment fund, beginning of year	\$ 1,500	\$ -
Contributions collected	61,760	1,500
Investment income	454	-
Appropriation of investment income for expenditure	(454)	-
Endowment fund, end of year	\$ 63,260	\$ 1,500

Based on the interpretation of the Uniform Prudent management of Institutional Funds Act, the contributions received for the endowment fund are included in permanently restricted net assets.

NASBA Center for the Public Trust, Inc.
Notes to Financial Statements

Note 5. Endowment and Board-designated Funds (Continued)

Changes in endowment net assets are as follows:

	2012	2011
Endowment net assets, beginning of year	\$ 28,427	\$ -
Contributions and pledges	56,203	28,427
Investment income	454	-
Appropriation of investment income for expenditure	(454)	-
Endowment net assets, end of year	\$ 84,630	\$ 28,427

Also during fiscal 2011, the CPT Board of Directors established a Board-designated fund to benefit the same two programs as the earnings of the endowment fund. The Board designation will remain in place until all of the funds are used for the intended purpose, or until a future Board revokes it. Contributions to the Board-designated fund are included in unrestricted net assets except for pledges to be paid in future periods which are included in temporarily restricted net assets.

Changes in the Board-designated net assets included in unrestricted net assets are as follows:

	2012	2011
Board-designated net assets, beginning of year	\$ 8,701	\$ -
Contributions collected	45,450	8,701
Investment income	368	-
Expenditure of assets	(53,500)	-
Board-designated net assets, end of year	\$ 1,019	\$ 8,701

In addition to the amount included in unrestricted net assets, temporarily restricted net assets include contributions receivable for the Board-designated fund in the amount of \$48,574 and \$25,824 at July 31, 2012 and 2011, respectively because they represent contributions restricted as to time.

Note 6. Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets at July 31 have donor-imposed restrictions as follows:

	2012	2011
Time-restricted	\$ 49,921	\$ 31,371
Purpose-restricted	28,297	-
Total temporarily restricted net assets	\$ 78,218	\$ 31,371

Permanently restricted net assets at July 31 include:

	2012	2011
David A. Costello Endowment Fund	\$ 84,630	\$ 28,427
Total permanently restricted net assets	\$ 84,630	\$ 28,427

Note 7. Income Taxes

As of July 31, 2012 and 2011, the CPT has accrued no interest or penalties related to uncertain tax positions. It is the CPT's policy to recognize interest and penalties related to income tax matters in other expense. In general, the CPT is no longer subject to examinations by tax authorities for U.S. federal income tax returns before fiscal 2009.

NASBA Center for the Public Trust, Inc.
Notes to Financial Statements

Note 8. Related Party Transactions

The CPT is related to the National Association of State Boards of Accountancy, Inc. ("NASBA") based on NASBA's control and involvement with CPT's management and the Board of Directors. In both 2012 and 2011, NASBA provided support to the CPT through contributions of \$150,000. Included in the financial statements are expenses for the cost of NASBA personnel who allocate time to CPT-related activities and for property and equipment, including office space, used by these personnel. These expenses are charged to and reimbursed by the CPT at the cost incurred by NASBA.