

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

**FINANCIAL STATEMENTS**

**JULY 31, 2013 and 2012**



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



## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the NASBA Center for the Public Trust, Inc. (a nonprofit organization) which comprise the statements of financial position as of July 31, 2013 and 2012, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatements of the 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 financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the 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 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, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Effect of Adopting New Accounting Standard*

As discussed in Note 2 to the financial statements, in April 2013, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") 2013-06, *Services Received from Personnel of an Affiliate*, which updated the guidance in Accounting Standards Codification ("ASC") Topic 958, *Not-for-Profit Entities*. The amendments in ASU 2013-06 permit a not-for-profit organization to apply recognition and measurement bases for services received from personnel of an affiliate that directly benefit the recipient not-for-profit entity and for which the affiliate does not charge the recipient entity. The amendments in the ASU are effective prospectively for fiscal years beginning after June 15, 2014 with early adoption permitted using a modified retrospective approach under which all prior periods presented upon the date of adoption should be adjusted. The NASBA Center for the Public Trust, Inc. adopted the amendments updated in ASU 2013-06 effective August 1, 2012. The financial statements for the years ended July 31, 2013 and 2012 reflect application of the new method, retrospectively. Our opinion is not modified with respect to that matter.

*Lettimore Blech Mergers & Co., PC*

Brentwood, Tennessee  
September 23, 2013

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

	2013			2012				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenue and Support</b>								
Contributions	\$ 480,679	\$ 29,618	\$ 10,312	\$ 520,609	\$ 374,271	\$ 57,205	\$ 56,203	\$ 487,679
Services received from NASBA personnel	77,363	-	-	77,363	68,903	-	-	68,903
Ethics Network membership fees	669	-	-	669	7,600	-	-	7,600
Investment income	633	-	-	633	822	-	-	822
Net assets released from restrictions	45,878	(45,878)	-	-	10,358	(10,358)	-	-
Total revenue and support	605,222	(16,260)	10,312	599,274	461,954	46,847	56,203	565,004
<b>Program Expenses</b>								
Ethics advancement	82,031	-	-	82,031	86,129	-	-	86,129
Student Center for the Public Trust	324,548	-	-	324,548	261,287	-	-	261,287
Conferences	8,772	-	-	8,772	5,633	-	-	5,633
Total program expenses	415,351	-	-	415,351	353,049	-	-	353,049
<b>Supporting Expenses</b>								
Administrative	52,908	-	-	52,908	65,146	-	-	65,146
Development	85,562	-	-	85,562	83,066	-	-	83,066
Total supporting expenses	138,470	-	-	138,470	148,212	-	-	148,212
Total expenses	553,821	-	-	553,821	501,261	-	-	501,261
<b>Increase (Decrease) in Net Assets</b>	51,401	(16,260)	10,312	45,453	(39,307)	46,847	56,203	63,743
<b>Net Assets, Beginning of Year</b>	(26,499)	78,218	84,630	136,349	12,808	31,371	28,427	72,606
<b>Net Assets, End of Year</b>	\$ 24,902	\$ 61,958	\$ 94,942	\$ 181,802	\$ (26,499)	\$ 78,218	\$ 84,630	\$ 136,349

See Accompanying Notes to Financial Statements

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

	<u>2013</u>	<u>2012</u>
<b>Assets</b>		
Current Assets		
Cash and cash equivalents	\$ 41,387	\$ 67,882
Contributions receivable	78,830	44,056
Prepaid expenses	5,109	2,120
Total current assets	<u>125,326</u>	<u>114,058</u>
Long-term Assets		
Contributions receivable	36,493	72,453
Cash restricted for endowment	78,460	63,260
Total long-term assets	<u>114,953</u>	<u>135,713</u>
Total assets	<u><u>\$ 240,279</u></u>	<u><u>\$ 249,771</u></u>
<b>Liabilities and Net Assets</b>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 58,477	\$ 65,702
Due to NASBA	-	47,051
Deferred revenue	-	669
Total liabilities	<u>58,477</u>	<u>113,422</u>
Net Assets		
Unrestricted	24,901	(26,499)
Temporarily restricted	61,959	78,218
Permanently restricted	94,942	84,630
Total net assets	<u>181,802</u>	<u>136,349</u>
Total liabilities and net assets	<u><u>\$ 240,279</u></u>	<u><u>\$ 249,771</u></u>

See Accompanying Notes to Financial Statements

**NASBA Center for the Public Trust, Inc.**  
**Statements of Cash Flows**  
**For the Year Ended July 31,**

	<u>2013</u>	<u>2012</u>
<b>Operating Activities</b>		
Cash received from NASBA	\$ 326,390	\$ 150,000
Cash received from donors	180,206	252,672
Membership dues received	-	4,410
Interest received	632	822
Cash paid for supplies and employees	<u>(533,723)</u>	<u>(440,188)</u>
Net cash used by operating activities	<u>(26,495)</u>	<u>(32,284)</u>
<b>Investing Activities</b>		
Cash restricted for endowment	<u>(15,200)</u>	<u>(61,760)</u>
Net cash used by investing activities	<u>(15,200)</u>	<u>(61,760)</u>
<b>Financing Activities</b>		
Cash contributions restricted for endowment	<u>15,200</u>	<u>61,760</u>
Net cash provided by financing activities	<u>15,200</u>	<u>61,760</u>
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>(26,495)</b>	<b>(32,284)</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>67,882</b>	<b>100,166</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b><u>\$ 41,387</u></b>	<b><u>\$ 67,882</u></b>
<b>Reconciliation of increase in net assets to net cash used in operating activities:</b>		
Increase in net assets	\$ 45,453	\$ 63,743
Adjustments to reconcile increase in net assets to net cash used in operating activities		
Total contributions restricted for endowment	(10,312)	(56,203)
Changes in assets and liabilities		
(Increase) decrease in:		
Receivables	(3,702)	(28,804)
Prepaid expenses	(2,989)	(106)
Increase (decrease) in:		
Due to NASBA	(47,051)	(64,164)
Accounts payable and accrued expenses	(7,225)	56,440
Deferred revenue	(669)	(3,190)
Net cash used in operating activities	<u>\$ (26,495)</u>	<u>\$ (32,284)</u>
<b>Non-cash Investing and Financing Activities</b>		
Contributions receivable restricted for endowment	<u>\$ -</u>	<u>\$ 19,443</u>

See Accompanying Notes to Financial Statements

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

**Note 1. Organization and Nature of Operations**

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.

CPT is a membership organization of which the National Association of State Boards of Accountancy, Inc. ("NASBA") as its sole member. In fiscal 2013 and 2012, NASBA provided support to the CPT through monetary contributions of \$326,390 and \$150,000, respectively. Included in the financial statements are the expenses for the cost of NASBA personnel who devote the majority of their 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. Also included in the financial statements are offsetting amounts of revenue and expense for the value of supporting services contributed by NASBA personnel in the areas of finance, information services, human resources, and marketing. The contribution of these services was valued at NASBA's cost of \$77,363 and \$68,903 in fiscal 2013 and 2012, respectively, and is reflected in the financial statements as discussed in Note 2 - Services Received from NASBA Personnel.

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**

These financial statements have been prepared on the accrual basis of accounting.

**Use of estimates**

The preparation of financial statements 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.

**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 no time were the FDIC limits exceeded.

**Contributions receivable**

Contributions receivable are unconditional written promises to give which are recorded in the year the promise is made. Unconditional written 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 contributors, historical loss experience and existing economic conditions. Management has determined that no allowance is required at July 31, 2013 or 2012.

**Prepaid expenses**

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

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

**Note 2. Significant Accounting Policies (Continued)**

**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**

Unconditional contributions are recognized as revenue when the contribution or 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. The CPT is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Internal Revenue Code.

The CPT has adopted the recognition requirements for uncertain income tax positions and believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the CPT's financial position, results of operations or cash flows. Accordingly, CPT has accrued no interest or penalties related to uncertain tax positions at July 31, 2013 or 2012. 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 2010.

**Contributed Services**

Many individuals contribute their 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.

**Services Received from NASBA Personnel**

In April 2013, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") 2013-06, *Services Received from Personnel of an Affiliate*, which updated the guidance in Accounting Standards Codification ("ASC") Topic 958, *Not-for-Profit Entities*. The amendments in ASU 2013-06 permit a not-for-profit organization to apply recognition and measurement bases for services received from personnel of an affiliate that directly benefit the recipient not-for-profit entity and for which the affiliate does not charge the recipient entity. The amendments in the ASU are effective prospectively for fiscal years beginning after June 15, 2014 with early adoption permitted using a modified retrospective approach under which all prior periods presented upon the date of adoption should be adjusted.

The CPT adopted the amendments updated in ASU 2013-06 effective August 1, 2012. The financial statements for the years ended July 31, 2013 and 2012 reflect application of the new method retrospectively as discussed in Note 1.

**Reclassifications**

Certain prior year information has been reclassified to conform to the current year presentation. In addition, the statements of cash flows reflect a change in presentation from the indirect method to the direct method.



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

**Note 2. Significant Accounting Policies (Continued)**

**Subsequent events**

Management has evaluated all material events and transactions that occurred from the date of the financial statements through September 23, 2013, which is the date that the financial statements were available to be issued, for possible recognition or disclosure. There were no material subsequent events that required adjustments to or disclosure in the financial statements.

**Note 3. Contributions Receivable**

Contributions receivable consist of the following unconditional written promises to give at July 31, 2013 and 2012:

	2013	2012
Amounts due in:		
Less than one year	\$ 78,830	\$ 44,071
One to five years	38,550	75,829
Total contributions receivable	117,380	119,900
Less unamortized discount	2,057	3,391
Present value of total contributions receivable	115,323	116,509
Less current contributions receivable	78,830	44,056
Non-current contributions receivable	\$ 36,493	\$ 72,453

**Note 4. Endowment Funds**

The Board of Directors established an endowment fund. Income generated from the endowment fund is restricted for the benefit of the Student Center for the Public Trust and the Ethics Network. The principal of the endowment fund will remain permanently invested and is classified as restricted.

In accordance with the Uniform Prudent Management of Institutional Funds Act, the contributions received for the endowment fund are included in permanently restricted net assets. Changes in permanently restricted net assets related to the endowment are as follows:

	2013	2012
Endowment permanently restricted net assets, beginning of year	\$ 84,630	\$ 28,427
Contributions and pledges	10,312	56,203
Investment income	622	454
Appropriation of investment income for expenditure	(622)	(454)
Endowment permanently restricted net assets, end of year	\$ 94,942	\$ 84,630

On September 19, 2013, CPT adopted an investment and spending policy with the objective of providing an income stream to fund endowment-related programs while seeking to maintain purchasing of the endowment assets.

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

**Note 5. Temporarily and Permanently Restricted Net Assets**

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

	2013	2012
Time-restricted	\$ 32,340	\$ 49,921
Purpose-restricted	29,619	28,297
Total temporarily restricted net assets	\$ 61,959	\$ 78,218

Permanently restricted net assets at July 31 include:

	2013	2012
Endowment fund	\$ 94,942	\$ 84,630
Total permanently restricted net assets	\$ 94,942	\$ 84,630