

**Texas Society of CPAs**  
**STATEMENT OF FINANCIAL POSITION (UNAUDITED)**  
**March 31, 2018**

04/17/18

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	<u>Current Year</u>	<u>Prior Year</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and Investments	6,110,914	5,564,381
Accounts Receivable	43,427	52,215
Intercompany	(188,443)	(196,309)
Other Current Assets	158,913	171,464
<b>TOTAL CURRENT ASSETS</b>	<u>6,124,811</u>	<u>5,591,751</u>
<b>FIXED ASSETS:</b>		
Property and Equipment	1,305,630	1,297,189
Accumulated Depreciation	(1,063,585)	(989,968)
<b>Total Fixed Assets, Net</b>	<u>242,045</u>	<u>307,221</u>
<b>TOTAL ASSETS</b>	<u><u>6,366,856</u></u>	<u><u>5,898,972</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts Payable	26,316	16,933
Accrued Liabilities	536,439	608,656
Deferred Revenue	1,311,188	1,119,269
<b>TOTAL CURRENT LIABILITIES</b>	<u>1,873,943</u>	<u>1,744,858</u>
<b>NET ASSETS:</b>		
Unrestricted	4,492,913	4,154,114
<b>TOTAL NET ASSETS</b>	<u>4,492,913</u>	<u>4,154,114</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>6,366,856</u></u>	<u><u>5,898,972</u></u>

**Texas Society of CPAs**  
**Statement of Activities (Unaudited)**  
**For the Ten Months Ending March 31, 2018**

04/17/18

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	<u>Current Month</u>	<u>Year-to-Date</u>		<u>Year End Projection</u>
		<u>Actual</u>	<u>Prior Year</u>	
<b><u>REVENUE</u></b>				
Member Dues	453,465	4,595,965	4,593,333	5,515,000
Peer Review	72,275	742,375	834,375	875,000
Chapter Management	18,460	184,600	176,550	222,000
Royalties	10,861	156,721	146,329	190,000
Other Income	3,570	49,480	74,086	60,000
Interest/Dividends	19,537	135,075	125,137	140,000
	<b>578,168</b>	<b>5,864,216</b>	<b>5,949,810</b>	<b>7,002,000</b>
<b><u>EXPENSES</u></b>				
Departments				
Salaries & Benefits	345,963	3,865,156	3,892,925	4,630,000
Other	123,036	1,314,423	1,251,504	1,630,000
Governance	832	250,378	216,026	330,000
Membership	1,998	171,067	234,910	240,000
Governmental Affairs	12,002	133,980	160,858	155,000
External Relations	2,172	27,863	52,949	50,000
Organization & Administration	1,247	48,560	27,129	50,000
Other	0	11,786	10,920	15,000
	<b>487,250</b>	<b>5,823,213</b>	<b>5,847,221</b>	<b>7,100,000</b>
<b>Net Rev (Exp) before Intercompany</b>				
<b>Charges &amp; Investment Inc</b>	<b>90,918</b>	<b>41,003</b>	<b>102,589</b>	<b>(98,000)</b>
Charges to CPE & Insurance Tr	14,583	145,833	144,611	175,000
Investment Income (Loss)	(31,007)	249,687	372,493	249,687
<b>Net Revenue (Expense)</b>	<b>74,494</b>	<b>436,523</b>	<b>619,693</b>	<b>326,687</b>

**TSCPA CPE Foundation**  
**STATEMENT OF FINANCIAL POSITION (UNAUDITED)**  
**March 31, 2018**

04/18/18

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	Current Year	Prior Year
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and Investments	1,675,744	1,640,434
Accounts Receivable	25,155	25,386
Intercompany	(54,551)	(21,136)
Other Current Assets	30,288	26,611
TOTAL CURRENT ASSETS	1,676,636	1,671,295
<b>FIXED ASSETS:</b>		
Property and Equipment	335,118	335,118
Accumulated Depreciation	(335,118)	(330,628)
Total Fixed Assets, Net	0	4,490
TOTAL ASSETS	1,676,636	1,675,785
 <b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts Payable	58,490	44,066
Accrued Liabilities	42,100	38,827
Deferred Revenue	174,659	182,807
TOTAL CURRENT LIABILITIES	275,249	265,700
 <b>NET ASSETS:</b>		
Unrestricted	1,401,387	1,410,085
TOTAL NET ASSETS	1,401,387	1,410,085
TOTAL LIABILITIES AND NET ASSETS	1,676,636	1,675,785

**TSCPA CPE Foundation**  
**Statement of Activities (Unaudited)**  
**For the Ten Months Ending March 31, 2018**

04/18/18

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	<u>Current Month</u>	<u>Year-to-Date</u>		<u>Year End Projection</u>
		<u>Actual</u>	<u>Prior Year</u>	
<b><u>REVENUE</u></b>				
Educational Programs	31,804	2,149,800	2,265,985	2,610,000
Interest/Dividends	5,067	32,825	35,856	30,000
Other Income	1,429	61,759	45,655	85,000
	<b>38,300</b>	<b>2,244,384</b>	<b>2,347,496</b>	<b>2,725,000</b>
<b><u>Program Expenses</u></b>				
Instructor Expenses	219	465,864	513,903	595,000
Facilities	23,445	765,432	770,861	975,000
Other Direct Expenses	1,119	61,100	98,078	65,000
Promotions	20,610	78,935	204,545	145,000
	<b>45,393</b>	<b>1,371,331</b>	<b>1,587,387</b>	<b>1,780,000</b>
<b><u>Indirect Expenses</u></b>				
Salaries & Benefits	45,500	515,141	508,418	635,000
Professional Services	0	11,056	10,670	12,000
Meetings & Travel	0	14,531	15,878	20,000
Office & Administration	14,609	160,957	159,930	195,000
Depreciation	0	0	44,893	0
CPE Advisory Board	0	9,715	1,562	11,000
	<b>60,109</b>	<b>711,400</b>	<b>741,351</b>	<b>873,000</b>
<b>Total Expenses</b>	<b>105,502</b>	<b>2,082,731</b>	<b>2,328,738</b>	<b>2,653,000</b>
<b>Net Rev (Exp) before Intercompany Charges &amp; Investment Inc</b>	<b>(67,202)</b>	<b>161,653</b>	<b>18,758</b>	<b>72,000</b>
Charges From Society	(12,500)	(125,000)	(128,716)	(150,000)
Investment Income	(8,043)	55,589	98,461	55,589
<b>Net Revenue/(Expense)</b>	<b>(87,745)</b>	<b>92,242</b>	<b>(11,497)</b>	<b>(22,411)</b>

## **TSCPA CPE Foundation Learning Management System (LMS) Investment and potential online unlimited product offering**

**OBJECTIVE:** Respond to the changing CPE landscape, embrace the use of technology, create a culture of learning and be responsive to the evolving needs and interests of current and future members.

**BACKGROUND:** TSCPA CPE Foundation currently received revenue from both live and online programming. Currently, most of our resources and revenue are from live programming. As online learning has evolved and is quickly becoming the learning opportunity of choice for many, we need to shift our resources and focus to deliver additional online learning opportunities for our audience. We currently rely on third party vendors, including AICPA, to provide online opportunities. AICPA has presented us with a revised channel agreement that puts a large portion of our online revenue at risk.

### **FIRST OPPORTUNITY: Invest in a Learning Management System (LMS).**

**What is an LMS?** A learning management system is a software application for the administration, documentation, tracking, reporting and delivery of educational courses or training programs. They help the instructor deliver material to the students, administer tests and other assignments, track student progress, and manage record-keeping. LMSs are focused on online learning delivery but support a range of uses, acting as a platform for fully online courses, as well as several hybrid forms, such as blended learning and flipped classrooms.

#### **Deploying an LMS system will allow us to:**

- Leverage the content we are already providing in classrooms and online
- Control product options/delivery and have less reliance on third party vendors
- Respond quickly to marketplace needs i.e. – disaster recovery/tax reform
- Have flexibility with pricing strategies
- Utilize video in our marketing promotions
- Bolster membership benefits with access to additional content
- Have flexibility to pursue future learning formats such as Nano learning
- Provide additional services to chapters to webcast conferences

**Investment:** The upfront investment for the deployment of an LMS system is \$50-60k. This includes the license for the platform, training, integration and related video equipment. By operating our own LMS our annual savings is conservatively estimated at \$40k with an additional \$40k in revenue generated from a higher percentage of sales of existing programs. This does not include any new program development or broadcast of additional existing programs.

**SECOND OPPORTUNITY:** Leverage the LMS investment and content we are already producing and respond to current and future demand by members and potential members for a quality but reasonable on demand education offering. We propose developing an online, on-demand unlimited CPE product offering.

Currently, we provide minimal marketing of an AICPA product called CPEXpress. It is a solid offering however we do not have a tremendous upside from our current or future participation. The new channel agreement which will go into effect on July 1, 2018 states that we will receive a royalty for any sales made through our website with no revenue sharing for renewals thereby eliminating the incentive for maintaining support for the program. This will be a loss in revenue that we need to address. AICPA currently sells approximately 1,110 CPEXpress packages to Texas CPAs.

Developing our own offering would require an investment on our part but would have a much greater revenue potential and allow us to extend the life of our content and realize the many benefits outlined above.

# TSCPA CPE Foundation LMS Investment

## Option 1

5 Conference webcasts in Year 1. Increase to 7 in Years 2 & 3

1 Ethics webcast and 11 replays

Market AICPA CPEXpress

3 PIU webcasts

	Year 1	Year 2	Year 3
<b>Revenue/Cost Savings</b>			
Conferences - BPN 39%	40,000	40,000	40,000
Conferences - current filming charges	15,000	15,000	15,000
Ethics - BPN 39%	25,000	25,000	25,000
CPEXpress - projected sales	25,000	30,000	35,000
PIUs - current filming charges	15,000	15,000	15,000
<b>Total Revenue/Cost Savings</b>	<b>120,000</b>	<b>125,000</b>	<b>130,000</b>

## Cash Investment

Platform charges:

Setup and configuration	4,200		
Training	2,800		
netForum integration	5,000		
Annual license fee	18,000	18,000	18,000
Equipment purchase	20,000	5,000	5,000
Conferences - filming expense	35,000	48,000	48,000
Conferences - editing	5,000	6,000	6,000
Ethics - honorariums	15,000	15,000	15,000
20% cost allowance	10,000	12,600	12,600
<b>Total Cash Investment</b>	<b>115,000</b>	<b>104,600</b>	<b>104,600</b>

<b>Net Revenue/Cost Savings</b>	<b>5,000</b>	<b>20,400</b>	<b>25,400</b>
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Society	15,000	15,000	15,000
CPE	(10,000)	5,400	10,400
	5,000	20,400	25,400

# TSCPA CPE Foundation

## LMS Investment

### Option 2

Develop library of 75-100 1-2 hour On Demand programs in year 1. Add new content at 50 per year in years 2 & 3.

Sell programs for \$25 on an individual basis during development phase.

Sell programs as a bundle for \$200 in Years 2 & 3. Individual programs will continue to be available for \$25

5 Conference webcasts in Year 1. Increase to 7 in Years 2 & 3

1 Ethics webcast and 11 replays

Market AICPA CPEexpress on a limited basis in Year 1. Discontinue marketing in Years 2& 3

3 PIU webcasts

	Year 1	Year 2	Year 3
<b>Revenue/Cost Savings</b>			
1-2 hour programs - individual sales	5,000	10,000	10,000
1-2 hour programs - bundle sales	-	100,000	150,000
Conferences - BPN 39%	40,000	40,000	40,000
Conferences -current filming charges	15,000	15,000	15,000
Ethics - BPN 39%	25,000	25,000	25,000
CPEexpress - reduced marketing effort	12,500	-	-
PIUs - current filming charges	15,000	15,000	15,000
<b>Total Revenue/Cost Savings</b>	<b>112,500</b>	<b>205,000</b>	<b>255,000</b>

### Cash Investment

Platform charges:

Setup and configuration	4,200		
Training	2,800		
netForum integration	5,000		
Annual license fee	18,000	18,000	18,000
Equipment purchase	20,000	5,000	5,000
1-2 hour library - instructor expenses	45,000	30,000	25,000
1-2 hour library - editing	20,000	10,000	10,000
Conferences - filming expense	35,000	48,000	48,000
Conferences - editing	5,000	6,000	6,000
Ethics - honorariums	15,000	15,000	15,000
20% cost allowance	23,000	12,600	12,600
<b>Total Cash Investment</b>	<b>193,000</b>	<b>144,600</b>	<b>139,600</b>

<b>Net Revenue/Cost Savings (Investment)</b>	<b>(80,500)</b>	<b>60,400</b>	<b>115,400</b>
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Society	15,000	15,000	15,000
CPE	(95,500)	45,400	100,400
	(80,500)	60,400	115,400