

INVESTMENT MANAGEMENT CONSULTANTS ASSOCIATION, INC.

**Financial Statements
and
Independent Auditors' Report
December 31, 2011 and 2010**

EKS&H
**EHRHARDT • KEEFE
STEINER • HOTTMAN PC**
CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS

INVESTMENT MANAGEMENT CONSULTANTS ASSOCIATION, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Investment Management Consultants Association, Inc.
Greenwood Village, Colorado

We have audited the accompanying statement of financial position of Investment Management Consultants Association, Inc. ("IMCA") as of December 31, 2011 and 2010 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of IMCA's 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 the IMCA's 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 Investment Management Consultants Association, Inc. as of December 31, 2011 and 2010 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.

Our audits were performed for the purpose of forming an opinion on the financial statements as a whole. The schedules of revenues and expenses - budget to actual are presented for purposes of additional analysis and are not a required part of the financial statements. Such information, except for that portion marked "unaudited," is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the financial statements; accordingly, we do not express an opinion or provide any assurance on it.



Ehrhardt Keefe Steiner & Hottman PC

April 16, 2012
Denver, Colorado

INVESTMENT MANAGEMENT CONSULTANTS ASSOCIATION, INC.

Statements of Financial Position

	December 31,	
	2011	2010
Assets		
Current assets		
Cash and cash equivalents	\$ 8,790,465	\$ 2,986,486
Accounts receivable	93,724	211,864
Prepaid expenses	436,651	560,251
Publications inventory and other assets	<u>34,402</u>	<u>2,647</u>
Total current assets	9,355,242	3,761,248
Property and equipment, net	114,691	123,114
Development costs, net	271,867	406,506
Other assets		
Investments	5,161,238	9,277,251
Other assets	<u>18,000</u>	<u>18,000</u>
Total assets	<u>\$ 14,921,038</u>	<u>\$ 13,586,119</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 388,965	\$ 475,270
Accrued compensated absences	76,509	60,889
Deferred revenue	<u>4,501,145</u>	<u>3,970,210</u>
Total liabilities	<u>4,966,619</u>	<u>4,506,369</u>
Commitments		
Net assets		
Unrestricted	<u>9,954,419</u>	<u>9,079,750</u>
Total net assets	<u>9,954,419</u>	<u>9,079,750</u>
Total liabilities and net assets	<u>\$ 14,921,038</u>	<u>\$ 13,586,119</u>

See notes to financial statements.

INVESTMENT MANAGEMENT CONSULTANTS ASSOCIATION, INC.

Statements of Activities

	For the Years Ended December 31,	
	<u>2011</u>	<u>2010</u>
	(Unrestricted)	(Unrestricted)
Revenues and gains		
Certification	\$ 1,727,796	\$ 2,661,126
Meetings and conferences	4,934,308	4,290,463
Membership	3,264,219	3,094,713
Education	123,425	109,703
Other income	<u>405</u>	<u>4,015</u>
Total revenues and gains	<u>10,050,153</u>	<u>10,160,020</u>
Expenses		
Program services		
Certification	2,056,785	2,832,902
Meetings and conferences	3,644,255	3,316,798
Education	139,326	184,027
Membership	<u>1,714,280</u>	<u>1,504,844</u>
Total program services	7,554,646	7,838,571
Supporting services		
Management and general	<u>1,459,730</u>	<u>1,083,276</u>
Total expenses	<u>9,014,376</u>	<u>8,921,847</u>
Change in net assets before investment income	1,035,777	1,238,173
Investment (loss) income	(122,520)	439,476
Loss on disposal of assets	<u>(38,588)</u>	<u>-</u>
Change in net assets	874,669	1,677,649
Net assets at beginning of year	<u>9,079,750</u>	<u>7,402,101</u>
Net assets at end of year	<u>\$ 9,954,419</u>	<u>\$ 9,079,750</u>

See notes to financial statements.

INVESTMENT MANAGEMENT CONSULTANTS ASSOCIATION, INC.

Statements of Cash Flows

	For the Years Ended	
	December 31,	
	<u>2011</u>	<u>2010</u>
Cash flows from operating activities		
Change in net assets	\$ 874,669	\$ 1,677,649
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	89,914	82,558
Amortization	189,938	258,486
Loss on disposal of development costs	38,588	-
Net unrealized/realized loss (gain) on investments	348,594	(291,219)
Changes in assets and liabilities		
Accounts receivables	118,140	(174,142)
Prepaid expenses	123,600	(86,822)
Publications inventory and other assets	(31,755)	4,665
Accounts payable	(86,305)	(275,586)
Accrued compensated absences	15,620	(3,798)
Deferred revenue	530,935	(1,286,210)
	<u>1,337,269</u>	<u>(1,772,068)</u>
Net cash provided by (used in) operating activities	<u>2,211,938</u>	<u>(94,419)</u>
Cash flows from investing activities		
Purchases of property and equipment	(81,491)	(29,291)
Acquisition of development costs	(93,887)	(49,695)
Net sales of investments	3,767,419	2,153,194
Net cash provided by investing activities	<u>3,592,041</u>	<u>2,074,208</u>
Net increase in cash and cash equivalents	5,803,979	1,979,789
Cash and cash equivalents at beginning of year	<u>2,986,486</u>	<u>1,006,697</u>
Cash and cash equivalents at end of year	<u>\$ 8,790,465</u>	<u>\$ 2,986,486</u>

See notes to financial statements.

INVESTMENT MANAGEMENT CONSULTANTS ASSOCIATION, INC.

Notes to Financial Statements

Note 1 - Organization and Summary of Significant Accounting Policies

Organization

Investment Management Consultants Association, Inc. ("IMCA") is a membership organization for investment professionals. IMCA was established in 1985 to deliver the premier investment consulting and wealth management credentials and world class educational offerings. IMCA also provides forums (conferences) for ongoing education and information sharing among its members.

IMCA is governed by a volunteer Board of Directors - 13 elected members with a Chair, Vice-Chair, Secretary, and Treasurer. There are also numerous volunteer committees through which membership/designation policies and procedures are discussed and cleared. The Board of Directors meets several times a year in person or by teleconference; most of the committees meet by teleconference over the course of the year.

Organizationally, IMCA is a 501(c)(6) membership organization; this means IMCA is a tax-exempt organization as authorized by the Internal Revenue Service. In addition to providing membership services and educational conferences to its members, IMCA supports two highly prestigious designations in the investment consulting field - Certified Investment Management Analyst and Certified Private Wealth Advisor.

Basis of Presentation

IMCA reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Unrestricted amounts are those currently available at the discretion of the Board of Directors for use in IMCA's operations and those resources invested in property and equipment. IMCA has no temporarily or permanently restricted net assets.

Cash and Cash Equivalents

IMCA considers all highly liquid investments with a maturity of three months or less that are not held by investment managers as part of an investment portfolio to be cash equivalents. IMCA continually monitors its position with, and credit quality of, financial institutions with which it invests. As of December 31, 2011, IMCA's cash accounts were either fully insured by the FDIC or backed by government securities.

Accounts Receivable

IMCA extends credit to customers for payment for goods and services provided. As of December 31, 2011 and 2010, management has determined that all receivables are collectible.

Prepayments

Prepayments consist mainly of deposits, travel, and other costs associated with the preparation of upcoming programs sponsored by IMCA. Prepayments related to holding the programs are recognized as an expense in the year the program is held.

INVESTMENT MANAGEMENT CONSULTANTS ASSOCIATION, INC.

Notes to Financial Statements

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

Publications Inventory

Inventory consists of various books and other publications held for sale by IMCA. Inventories are stated at cost on a first-in, first-out method.

Property and Equipment

Property and equipment is stated at cost. Depreciation and amortization are computed on the straight-line method over estimated useful lives of the assets ranging from five to seven years. IMCA capitalizes property and equipment purchases with a cost in excess of \$1,000 and a useful life of one year or greater.

Development Costs

IMCA accounts for costs incurred in the development of system software and online education programs as software research and development costs until the preliminary project stage is completed. Direct costs incurred in the development of software are capitalized once the preliminary project stage is completed, management has committed to funding the project, and completion and use of the software for its intended purpose are probable. IMCA ceases capitalization of development costs once the software has been substantially completed and is ready for its intended use. Software development costs are amortized over their estimated useful lives, generally three to four years. Costs associated with upgrades and enhancements that result in additional functionality are capitalized.

Investments

IMCA reports investments in equity securities with readily determinable fair values and debt securities at their fair values. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities as investment and other income.

Concentrations of Credit Risk

Financial instruments that potentially subject IMCA to concentrations of credit risk consist principally of cash and investments. IMCA places its cash and investment accounts with creditworthy, high-quality financial institutions. Although the market value of investments is subject to fluctuations on a year-to-year basis, management believes that the investment policy is prudent for the long-term welfare of IMCA.

Long-Lived Assets

IMCA reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recovered. IMCA looks primarily to the undiscounted future cash flows in its assessment of whether or not long-lived assets have been impaired. There was no impairment at December 31, 2011 and 2010.

INVESTMENT MANAGEMENT CONSULTANTS ASSOCIATION, INC.

Notes to Financial Statements

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

Revenue Recognition and Deferred Revenue

Revenue from membership dues, fees, and services is recognized ratably over the applicable period of service. Deferred revenue represents unearned dues, fees, and services revenue received in advance and will be recognized when earned.

Advertising Costs

IMCA expenses advertising costs as incurred. During the years ended December 31, 2011 and 2010, advertising expense was \$171,672 and \$147,228, respectively.

Functional Expenses

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

Income Taxes

IMCA is exempt from federal income taxes under Section 501(c)(6) of the Internal Revenue Code ("IRC"); accordingly, no provision for income taxes is included in the accompanying financial statements.

IMCA applies a more-likely-than-not measurement methodology to reflect the financial statement impact of uncertain tax positions taken or expected to be taken in a tax return. After evaluating the tax positions taken, none are considered to be uncertain; therefore, no amounts have been recognized as of December 31, 2011 or 2010.

If incurred, interest and penalties associated with tax positions are recorded in the period assessed as general and administrative expense. No interest or penalties have been assessed as of December 31, 2011 or 2010.

Tax years that remain subject to examination include 2008 through the current year.

Use of Estimates

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue, expenses, gains, losses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Subsequent Events

IMCA has evaluated all subsequent events through April 16, 2012, which is the date the financial statements were available to be issued, and has determined there are no events requiring disclosure.

INVESTMENT MANAGEMENT CONSULTANTS ASSOCIATION, INC.

Notes to Financial Statements

Note 2 - Fair Value Measurement

IMCA values its financial assets and liabilities based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, the following fair value hierarchy prioritizes observable inputs used to measure fair value into three broad levels, which are described below:

- Level 1: Quoted prices in active markets that are accessible at the measurement date for assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.
- Level 2: Observable prices that are based on inputs not quoted on active markets, but corroborated by market data.
- Level 3: Unobservable inputs are used when little or no market data is available.

In determining fair value, IMCA utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible, as well as considers counterparty credit risk in its assessment of fair value. These classifications (Level 1, 2, and 3) are intended to reflect the observability of inputs used in the valuation of investments and are not necessarily an indication of risk or liquidity.

Following is a description of the valuation methodologies used for assets measured at fair value:

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

Money market funds and certificates of deposit: Value is based on amortized cost or original cost plus accrued interest, which approximates fair value due to the short-term maturities of these financial instruments.

Financial assets carried at fair value as of December 31, 2011 and 2010 are classified in the tables below in one of the three categories described above:

<u>Description</u>	<u>As of December 31, 2011</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ -	\$ 72,777	\$ -	\$ 72,777
Fixed income mutual funds	1,998,143	-	-	1,998,143
Domestic equity mutual funds	1,394,820	-	-	1,394,820
Foreign equity mutual funds	926,852	-	-	926,852
Tangible/alternative mutual funds	<u>768,646</u>	<u>-</u>	<u>-</u>	<u>768,646</u>
Total fair value	<u>\$ 5,088,461</u>	<u>\$ 72,777</u>	<u>\$ -</u>	<u>\$ 5,161,238</u>

INVESTMENT MANAGEMENT CONSULTANTS ASSOCIATION, INC.

Notes to Financial Statements

Note 2 - Fair Value Measurement (continued)

<u>Description</u>	<u>As of December 31, 2010</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ -	\$ 1,007,653	\$ -	\$ 1,007,653
Certificates of deposits	-	4,910,352	-	4,910,352
Fixed income mutual funds	1,163,784	-	-	1,163,784
Domestic equity mutual funds	994,487	-	-	994,487
Foreign equity mutual funds	687,124	-	-	687,124
Tangible/alternative mutual funds	<u>513,851</u>	<u>-</u>	<u>-</u>	<u>513,851</u>
Total fair value	<u>\$ 3,359,246</u>	<u>\$ 5,918,005</u>	<u>\$ -</u>	<u>\$ 9,277,251</u>

Investment income consists of the following and is included in investment (loss) income in the statements of activities:

	<u>December 31,</u>	
	<u>2011</u>	<u>2010</u>
Dividends and interest	\$ 226,074	\$ 148,257
Net realized gains	45,992	11,028
Net unrealized gains (losses)	<u>(394,586)</u>	<u>280,191</u>
	<u>\$ (122,520)</u>	<u>\$ 439,476</u>

Note 3 - Property and Equipment

Property and equipment consists of the following:

	<u>December 31,</u>	
	<u>2011</u>	<u>2010</u>
Equipment	\$ 482,685	\$ 411,949
Software	158,672	157,423
Leasehold improvements	<u>159,148</u>	<u>149,642</u>
	800,505	719,014
Less accumulated depreciation	<u>(685,814)</u>	<u>(595,900)</u>
Total	<u>\$ 114,691</u>	<u>\$ 123,114</u>

INVESTMENT MANAGEMENT CONSULTANTS ASSOCIATION, INC.

Notes to Financial Statements

Note 4 - Development Costs

Development costs consist of the following:

	<u>December 31,</u>	
	<u>2011</u>	<u>2010</u>
Software development	\$ 575,002	\$ 517,010
Online essentials	260,800	299,082
Wealth management	184,927	184,927
CPWA	181,871	161,871
Website/data manager	129,940	129,940
Alternative investment certificate	125,164	125,164
Online CPWA study course	96,970	113,720
Investor website	96,014	96,014
Endowment and foundations certificate	83,869	83,869
ISC	60,255	60,255
Online qualification exam review course	53,500	64,675
Intro to investment certificate	33,828	33,828
CIMA Level 2	28,441	28,441
IHOP development	<u>20,100</u>	<u>20,100</u>
	1,930,681	1,918,896
Less accumulated amortization	<u>(1,658,814)</u>	<u>(1,512,390)</u>
Total	<u>\$ 271,867</u>	<u>\$ 406,506</u>

Note 5 - Deferred Revenue

Deferred revenue is comprised of the following:

	<u>December 31,</u>	
	<u>2011</u>	<u>2010</u>
Membership dues income	\$ 1,742,356	\$ 1,538,647
Conference registration	1,347,555	1,248,653
CPWA income	872,026	758,881
Recertification	384,599	334,621
Journal, Investments & Wealth Monitor	110,133	88,533
Other including refunds	<u>44,476</u>	<u>875</u>
Total	<u>\$ 4,501,145</u>	<u>\$ 3,970,210</u>

INVESTMENT MANAGEMENT CONSULTANTS ASSOCIATION, INC.

Notes to Financial Statements

Note 6 - Lease Commitments

Leases

IMCA leases office space and equipment under operating leases, which expire at various dates through 2017. Rent expense totaled \$194,141 and \$213,398 for the years ended December 31, 2011 and 2010, respectively. Future minimum lease payments as of December 31, 2011 are approximately as follows:

For the Year Ending December 31,

2012	\$	230,000
2013		280,000
2014		286,000
2015		287,000
2016		293,000
Thereafter		<u>48,000</u>
Total minimum lease payments	\$	<u>1,424,000</u>

Note 7 - Commitments on Conference Contracts

IMCA has entered into contracts with facilities and vendors for classes and conferences being held at various times through 2015. As part of the contracts, IMCA has guaranteed a certain level of rooms and food and beverage revenue for the vendors/facilities. The amounts are subject to cancellation policies with each party. The anticipated costs associated with the future events were approximately \$2,908,000 and \$2,257,000 at December 31, 2011 and 2010, respectively.

Note 8 - Employee Benefits

IMCA initiated a Profit Sharing Retirement Plan (the "Plan") in March 2001. The Plan is under Section 401 of the IRC. All full-time employees and part-time employees who work over 1,000 hours in any given year and are 21 years of age are eligible to participate in the Plan after one year of employment. The Plan is discretionary, and IMCA contributes as financial conditions allow. Employees vest 20% per year in employer discretionary contributions. Historically, IMCA has contributed 7% to the Plan.

As of March 2001, IMCA formed a retirement savings plan that allows IMCA's employees to make contributions by salary reduction pursuant to Section 401(k) of the IRC. IMCA regularly contributes 3% of the employees' eligible compensation under the Safe Harbor provision of the retirement savings plan. Upon eligibility, employees are immediately vested under this plan.

Total contributions to both plans were \$137,321 and \$90,729, respectively, for the years ended December 31, 2011 and 2010.

ACCOMPANYING INFORMATION

INVESTMENT MANAGEMENT CONSULTANTS ASSOCIATION, INC.

**Schedule of Revenues and Expenses - Budget to Actual
For the Year Ended December 31, 2011**

	<u>Budget</u> (Unaudited)	<u>Actual</u>	<u>Variance</u>
Revenues and gains			
Certification	\$ 1,652,788	\$ 1,727,796	\$ 75,008
Meetings and conferences	4,408,810	4,934,308	525,498
Membership	3,117,418	3,264,219	146,801
Education	190,400	123,425	(66,975)
Other income	-	405	405
Total revenues and gains	<u>9,369,416</u>	<u>10,050,153</u>	<u>680,737</u>
Expenses			
Program services			
Certification	2,050,166	2,056,785	6,619
Meetings and conferences	3,786,458	3,644,255	(142,203)
Education	295,065	139,326	(155,739)
Membership	<u>1,832,200</u>	<u>1,714,280</u>	<u>(117,920)</u>
Total program services	7,963,889	7,554,646	(409,243)
Supporting services			
Management and general	<u>1,277,773</u>	<u>1,459,730</u>	<u>181,957</u>
Total expenses	<u>9,241,662</u>	<u>9,014,376</u>	<u>(227,286)</u>
Change in net assets before investment income	127,754	1,035,777	908,023
Investment income (loss)	70,000	(122,520)	(192,520)
Loss on disposal of assets	<u>-</u>	<u>(38,588)</u>	<u>(38,588)</u>
Change in net assets	<u>\$ 197,754</u>	874,669	<u>\$ 676,915</u>
Net assets at beginning of year		<u>9,079,750</u>	
Net assets at end of year		<u>\$ 9,954,419</u>	

INVESTMENT MANAGEMENT CONSULTANTS ASSOCIATION, INC.

**Schedule of Revenues and Expenses - Budget to Actual
For the Year Ended December 31, 2010**

	<u>Budget</u> (Unaudited)	<u>Actual</u>	<u>Variance</u>
Revenues and gains			
Certification	\$ 1,914,488	\$ 2,661,126	\$ 746,638
Meetings and conferences	3,979,085	4,290,463	311,378
Membership	2,820,795	3,094,713	273,918
Education	106,104	109,703	3,599
Other income	-	4,015	4,015
Total revenues and gains	<u>8,820,472</u>	<u>10,160,020</u>	<u>1,339,548</u>
Expenses			
Program services			
Certification	2,359,007	2,832,902	473,895
Meetings and conferences	3,460,571	3,316,798	(143,773)
Education	159,701	184,027	24,326
Membership	<u>1,761,667</u>	<u>1,504,844</u>	<u>(256,823)</u>
Total program services	7,740,946	7,838,571	97,625
Supporting services			
Management and general	<u>948,487</u>	<u>1,083,276</u>	<u>134,789</u>
Total expenses	<u>8,689,433</u>	<u>8,921,847</u>	<u>232,414</u>
Change in net assets before investment income	131,039	1,238,173	1,107,134
Investment income	<u>132,000</u>	<u>439,476</u>	<u>307,476</u>
Change in net assets	<u>\$ 263,039</u>	1,677,649	<u>\$ 1,414,610</u>
Net assets at beginning of year		<u>7,402,101</u>	
Net assets at end of year		<u>\$ 9,079,750</u>	