

The Copyright Society of the U.S.A.

Financial Statements
For Year Ended
September 30, 2012

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Independent Auditors' Report

**To the Board of Trustees of
The Copyright Society of the U.S.A.**

We have audited the accompanying statements of financial position of The Copyright Society of the U.S.A. as of September 30, 2012 and 2011 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Society'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 Society'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 The Copyright Society of the U.S.A. as of September 30, 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.

PKF O'Connor Davies

July 19, 2013

The Copyright Society of the U.S.A.

Statement of Financial Position

	September 30,	
	<u>2012</u>	<u>2011</u>
ASSETS		
Cash and Cash Equivalents		
Wachovia operating	\$ 233,837	\$ 279,452
Cash on hand	250	250
Investments	95,902	86,001
Prepaid expenses	10,566	24,824
Computer equipment, net	608	914
Security deposit	<u>4,232</u>	<u>4,232</u>
Total Assets	<u>\$ 345,395</u>	<u>\$ 395,673</u>
 LIABILITIES AND UNRESTRICTED NET ASSETS		
Accounts payable	\$ 11,200	\$ 5,065
Accrued expenses	8,873	847
Deferred revenue	<u>51,701</u>	<u>150,450</u>
Total Liabilities	<u>71,774</u>	<u>156,362</u>
 Total Unrestricted Net Assets	 <u>273,621</u>	 <u>239,311</u>
 Total Liabilities and Unrestricted Net Assets	 <u>\$ 345,395</u>	 <u>\$ 395,673</u>

See notes to financial statements

The Copyright Society of the U.S.A.

Statement of Activities

	For Year Ended September 30	
	2012	2011
REVENUES		
Memberships	\$ 267,496	\$ 280,860
Mid-winter meeting	118,438	55,784
Annual meeting	111,070	96,346
Luncheons	35,376	60,217
Dinners	6,317	25,679
Royalty income	12,168	6,196
Interest income	1,939	1,850
Miscellaneous	3,512	5,356
Net unrealized and realized investment gain (loss)	8,879	(418)
Total Revenues	565,195	531,870
EXPENSES		
Salaries and related benefits	108,878	92,709
Mid-winter meeting	110,861	24,820
Annual meeting	66,120	48,034
Luncheons	52,234	58,091
Dinners	5,058	28,466
Other meetings	3,921	8,935
Office rent	29,995	28,212
Journal printing and distribution	34,287	47,773
Website and computer	12,283	13,966
Stationery, supplies and postage	8,760	7,321
Professional fees	20,625	25,702
Credit card expenses	3,025	7,745
Outside services	47,661	55,495
Office expenses	2,391	2,732
Investment expenses	889	913
Insurance	5,222	5,190
Telephone and fax	2,134	2,790
Awards	1,400	1,456
Payroll taxes	8,198	7,742
Miscellaneous	6,637	7,383
Depreciation	306	306
Total Expenses	530,885	475,781
Change in Net Assets	34,310	56,089
Unrestricted nets assets, beginning of the year	239,311	183,222
Unrestricted nets assets, end of the year	\$ 273,621	\$ 239,311

See notes to financial statements

The Copyright Society of the U.S.A.

Statement of Cash Flows

	For Year Ended September 30,	
	2012	2011
CASH FLOW FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 34,310	\$ 56,089
Adjustments to reconcile change in net assets to net cash from (used) by operating activities		
Depreciation	306	306
Unrealized and realized investment (loss)	(9,206)	(1,672)
Changes in Certain Accounts		
Prepaid expenses	14,258	(16,984)
Accounts payable	6,135	(2,385)
Accrued expenses	8,025	(154)
Deferred revenue	(98,749)	30,546
Net Cash From (Used) by Operating Activities	<u>(44,921)</u>	<u>65,746</u>
CASH FLOW FROM INVESTING ACTIVITIES		
(Increase) Decrease in investments	<u>(695)</u>	<u>552</u>
Increase (Decrease) in Cash and Cash Equivalents	(45,616)	66,298
Cash and Cash Equivalents, beginning of year	<u>279,452</u>	<u>213,154</u>
Cash and Cash Equivalents, end of year	<u>\$ 233,836</u>	<u>\$ 279,452</u>

See notes to financial statements

The Copyright Society of the U.S.A.

Notes to Financial Statements
September 30, 2012

1. Summary of Significant Accounting Policies

Organization

The Copyright Society of the U.S.A. (Society) is a nonprofit corporation organized in 1953. It was established to foster interest in and advance the study of copyright law and of rights in literature, music, art, the theatre, motion pictures and other forms of intellectual property. The Society's membership is comprised of individuals, business organizations, law firms and associations, which are involved in or affected by copyright, including those based on new technologies for creating and using copyrightable works.

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP"), which 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 revenues and expenses during the reporting period. Accordingly actual results could differ from those estimates.

Certain estimates used by management are particularly susceptible to changes, such as the methodology used for the functional allocation of expenses. Management believes that, as of September 30, 2012 and 2011, the estimates used were adequate based on the information currently available.

Fair Value Measurement

US GAAP requires the Society to classify its investments in marketable securities in a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist. At September 30, 2012 and 2011, the Society's investments in marketable securities are reported at fair market value based upon level 1 inputs.

Cash and Cash Equivalents

For purposes of financial reporting, the Society considers all highly liquid instruments with original maturities of three months or less to be cash equivalents.

Membership Revenue

Membership revenue is recorded as earned over the applicable membership period. Membership fees received in advance that pertain to the following fiscal period are included in deferred revenue in the accompanying statement of financial position.

The Copyright Society of the U.S.A.

Notes to Financial Statements
September 30, 2012

1. Summary of Significant Accounting Policies (continued)

Income Taxes

The Society is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Uncertainty in Income Taxes

US GAAP requires evaluation of tax positions taken by the Society and recognition of a liability in the financial statements if the Society has taken uncertain tax positions that more likely-than-not would not be sustained upon examination by the taxing authorities. As of September 30, 2012, the Society has determined that it has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

As of September 30, 2012, tax years for all years since September 30, 2009 remain open to examination by the Internal Revenue Service.

Significant Concentration

The Society maintains cash balances in financial institutions in excess of Federally insured limits. The Society has not experienced any losses on its deposits.

2. Investments

The Society classifies its investments as available-for-sale securities which are recorded at fair value.

At September 30, 2012 and 2011, the Society's investments consist of:

	Cost		Fair Value (Based on Quoted Market Prices)		Unrealized Appreciation (Depreciation)	
	2012	2011	2012	2011	2012	2011
Mutual Funds	\$ 75,694	\$ 74,110	\$ 83,146	\$ 72,357	\$ (9,206)	\$ (1,672)
Money Market Fund:	<u>12,756</u>	<u>13,644</u>	<u>12,756</u>	<u>13,644</u>	<u>-</u>	<u>-</u>
	<u>\$ 88,450</u>	<u>\$ 87,754</u>	<u>\$ 95,902</u>	<u>\$ 86,001</u>	<u>\$ (9,206)</u>	<u>\$ (1,672)</u>

3. Donald C. Brace Memorial Lecture Fund

In 1981, a grant in the amount of \$10,000 was received from Donna Brace Ogilvie to continue the funding of lectures. By the terms of this grant, a lecture must be held annually in the City of New York on the subject of United States Copyright and is to be used for the travel and stipend of the lecturer and for the cost of mailing of invitations. The grants were fully used and now the Society funds the lectures in the name of Donald C. Brace Memorial Lecture Fund.

The Copyright Society of the U.S.A.

Notes to Financial Statements
September 30, 2012

4. Charles B. Seton Award Fund

In 1986, a grant in the amount of \$3,500 was received from Charles B. Seton. By the terms of the grant, the fund and the income generated from it are to be used to fund the annual Charles B. Seton Award. The annual award in the amount of \$1,000 will be given to the person who shall not have attained the age of 40, whose article or other submission published in the "Journal of the Copyright Society of the U.S.A." constitutes the most significant contribution to scholarship in copyright law and displays original and creative ideas not previously published. The grant's funds were completely used and now the Society funds the annual award in the name of Charles B. Seton Award Fund.

5. Commitments

On August 1, 2010, the Society entered into a one year lease agreement for its office space, which requires a monthly payment of \$2,116. On August 1, 2012 and 2011, the Society extended its one year lease agreement for office space, which requires a monthly payment of \$2,333 and \$2,222, respectively.

6. Functional Allocation of Expenses

The cost of providing the various programs and other activities of the Society have been summarized as follows on a functional basis. Accordingly, certain costs have been allocated among the programs and other activities in reasonable ratios determined by management.

Total functional expenses for the years ended September 30, 2012 and 2011 are as follows:

	September 30	
	2012	2011
Program	\$ 349,701	\$ 296,839
Supporting services	<u>181,184</u>	<u>178,942</u>
	<u>\$ 530,885</u>	<u>\$ 475,781</u>

7. Subsequent Events

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were issued, which date is July 19, 2013, and has determined that there were no subsequent events or transactions which could require recognition or disclosure in the financial statements.

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