

**Board of Certified Safety Professionals**

Financial Report  
December 31, 2010

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## Independent Auditor's Report

To the Board of Directors  
Board of Certified Safety Professionals  
Savoy, Illinois

We have audited the accompanying statements of financial position of Board of Certified Safety Professionals as of December 31, 2010 and 2009, and the related statements of revenue and expenses and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Organization'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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 Board of Certified Safety Professionals as of December 31, 2010 and 2009, and the results of its operations 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 made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*McGladrey & Pullen, LLP*

Champaign, Illinois  
May 23, 2011

**Board of Certified Safety Professionals**

**Statements of Financial Position  
December 31, 2010 and 2009**

	2010	2009
<b>Assets</b>		
Current Assets		
Cash and cash equivalents	\$ 1,002,876	\$ 2,600,216
Certificates of deposit	1,640,000	1,650,000
Receivables	31,000	16,695
Prepaid expenses	59,988	78,725
<b>Total current assets</b>	<b>2,733,864</b>	<b>4,345,636</b>
Property and Equipment		
Building	559,544	559,543
Furniture and fixtures	494,534	477,275
Land	377,281	377,281
Computer software	161,799	179,846
Software development costs	744,360	132,770
Construction in progress	1,524,614	-
	<b>3,862,132</b>	<b>1,726,715</b>
Less accumulated depreciation	856,444	812,940
	<b>3,005,688</b>	<b>913,775</b>
Other Assets		
Exam development costs, net of accumulated amortization of \$46,966 and \$24,422 in 2010 and 2009, respectively	111,743	128,861
Investments		
Mutual funds	2,095,263	1,695,665
Fixed Income Bonds	1,353,439	-
<b>Total investments and other assets</b>	<b>3,560,445</b>	<b>1,824,526</b>
<b>Total assets</b>	<b>\$ 9,299,997</b>	<b>\$ 7,083,937</b>
<b>Liabilities and Net Assets</b>		
Current Liabilities		
Accounts payable	\$ 546,458	\$ 167,860
Accrued expenses	242,879	201,038
Unearned renewal fees	1,370,199	1,612,485
Unearned exam fees	229,390	181,715
Current maturity of long-term debt	67,075	-
<b>Total current liabilities</b>	<b>2,456,001</b>	<b>2,163,098</b>
Long-Term Debt	1,042,195	-
<b>Total liabilities</b>	<b>3,498,196</b>	<b>2,163,098</b>
Net Assets		
Unrestricted	5,801,801	4,920,839
<b>Total liabilities and net assets</b>	<b>\$ 9,299,997</b>	<b>\$ 7,083,937</b>

See Notes to Financial Statements.

**Board of Certified Safety Professionals**

**Statements of Revenue and Expenses and Changes in Net Assets  
Years Ended December 31, 2010 and 2009**

	<b>2010</b>	<b>2009</b>
Revenue:		
Renewal fees	\$ 2,441,095	\$ 2,280,409
Examination fees	1,258,275	1,236,792
Application fees	472,280	411,110
Interest and dividends	99,917	89,940
Other	27,272	9,777
	<u>4,298,839</u>	<u>4,028,028</u>
Expenses:		
Program:		
Applications for certification	931,930	863,470
Examinations and testing	1,035,950	1,060,798
Certification maintenance	753,534	748,825
Total program expenses	<u>2,721,414</u>	<u>2,673,093</u>
General and administrative	905,350	656,605
	<u>3,626,764</u>	<u>3,329,698</u>
Realized and unrealized gains on investments	<u>208,887</u>	<u>306,413</u>
<b>Increase in unrestricted net assets</b>	<b>880,962</b>	<b>1,004,743</b>
Net unrestricted assets:		
Beginning of year	<u>4,920,839</u>	<u>3,916,096</u>
End of year	<u>\$ 5,801,801</u>	<u>\$ 4,920,839</u>

See Notes to Financial Statements.

**Board of Certified Safety Professionals**

**Statements of Cash Flows**

**Years Ended December 31, 2010 and 2009**

	2010	2009
Cash Flows from Operating Activities:		
Increase in unrestricted net assets	\$ 880,962	\$ 1,004,743
Adjustments to reconcile increase in unrestricted net assets to net cash provided by operating activities:		
Depreciation and amortization	87,560	100,510
Uncollectible renewal fees	315	260
Realized and unrealized gains on investments	(208,887)	(306,413)
Change in assets and liabilities:		
(Increase) decrease in:		
Receivables	(14,620)	15,845
Prepaid expenses	18,737	(29,448)
Increase (decrease) in:		
Accounts payable and accrued expenses	86,748	123,881
Unearned renewal fees and exam fees	(194,611)	467,810
<b>Net cash provided by operating activities</b>	<b>656,204</b>	<b>1,377,188</b>
Cash Flows from Investing Activities:		
Purchase of property and equipment	(1,823,238)	(146,158)
Exam development costs	(5,426)	(40,564)
Proceeds from sale or maturity of investments	2,849,671	3,200,000
Purchase of investments	(4,383,821)	(3,238,712)
<b>Net cash used in investing activities</b>	<b>(3,362,814)</b>	<b>(225,434)</b>
Cash Flows from Financing Activities:		
Proceeds from long-term debt	1,109,270	-
<b>Net cash provided by financing activities</b>	<b>1,109,270</b>	<b>-</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(1,597,340)</b>	<b>1,151,754</b>
Cash and cash equivalents:		
Beginning	2,600,216	1,448,462
Ending	\$ 1,002,876	\$ 2,600,216
Supplemental Disclosure of Non-Cash Financing Activities		
Accounts payable incurred on construction in progress	\$ 333,691	\$ -

See Notes to Financial Statements.

## Board of Certified Safety Professionals

### Notes to Financial Statements

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#### Note 1. Nature of Organization and Summary of Significant Accounting Policies

**Nature of organization:** The Board of Certified Safety Professionals (BCSP) is a nonprofit corporation organized to provide peer certification of health, environmental and safety technologists.

A summary of BCSP's significant accounting policies is as follows:

**Revenue:** Revenue from renewal fees is recognized in the calendar year to which they apply. Revenue from examination fees is recognized when the examinations are given, or when the time allowed to take the exam expires. Unearned renewal fees and unearned exam fees represent revenue applicable to future periods.

Revenue from application fees and time extension fees are recognized as received. Service fee revenue is fees earned for providing consulting and exam delivery services. These fees are recognized when the service is performed.

**Cash and cash equivalents:** For purposes of reporting, BCSP considers money market accounts to be cash equivalents.

**Certificates of deposit:** Certificates of deposit are carried at cost which approximates fair value.

**Investments:** Mutual funds and fixed income bonds are carried at fair value. Realized and unrealized gains and losses are reflected in the statements of revenue and expenses and changes in net assets.

**Property and equipment:** Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed by the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings	5 - 40
Furniture and fixtures	5 - 7
Computer software	3 - 5

**Exam development costs:** Examination development costs are capitalized when incurred and amortized over the period of time the exams are expected to generate revenue before the exam items need to be updated. The exam development costs are amortized over five years.

**Impairment of long-lived assets:** BCSP reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment is recognized as the amount by which the carrying value of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or the fair value less costs to sell.

## Board of Certified Safety Professionals

### Notes to Financial Statements

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#### **Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)**

**Income taxes:** BCSP qualifies for tax-exempt status under Section 501(c)(6) of the Internal Revenue Code not organized for profit.

Management evaluated the BCSP's tax positions and concluded that the BCSP had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of guidance related to accounting for uncertainty in income taxes. The BCSP is no longer subject to income tax examinations by the U.S. federal or state tax authorities for years ending before December 31, 2007.

**Use of estimates in preparation of financial statements:** 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 and expenses during the reporting period. Actual results could differ from those estimates.

**Adopted accounting pronouncement:** In April 2009, the FASB issued accounting guidance which expanded disclosures and required that major categories for debt and equity securities in the fair value hierarchy table be determined on the basis of the nature and risks of the investments. BCSP adopted this guidance for the year ended December 31, 2010. As this guidance was only disclosure-related, the adoption of this guidance did not have a material impact on BCSP's financial position, results of operations, or cash flows.

**Reclassification:** Certain balances on the statement of financial position for the year ended December 31, 2009 have been reclassified with no effect on unrestricted net assets, to be consistent with the classifications adopted for the year ended December 31, 2010.

**Subsequent events:** The Company has evaluated subsequent events through May 23, 2011, the date on which the financial statements were available to be issued.

#### **Note 2. Retirement Plans**

BCSP has a 401(k) plan covering all employees who meet the eligibility requirements. BCSP is required to provide a safe harbor contribution of 3% of the participant's compensation. BCSP will also provide a "matching" contribution up to 4% of the participant's compensation. BCSP also has the option to provide an additional 1% discretionary profit sharing match. BCSP's contributions, including payment of administrative expense, amounted to \$140,849 and \$115,749 for the years ended December 31, 2010 and 2009, respectively.

#### **Note 3. Software Development and Construction in Progress**

During 2009, BCSP hired a Project Manager and signed a contract with a software vendor to develop the Umbrella Management System (UMS) software system. As of December 31, 2010, BCSP had incurred costs of \$744,360. All costs incurred in 2010 were capitalized and included on the statements of financial position as "software development costs." BCSP expects to incur approximately \$160,890 of additional costs to complete the project.

BCSP has also incurred costs of \$1,524,614 in connection with the construction of the new World Headquarters in Champaign, Illinois. BCSP expects to incur approximately \$1,325,000 of additional cost to complete the construction.

## Board of Certified Safety Professionals

### Notes to Financial Statements

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#### Note 4. Fair Value of Financial Instruments

The following information is designed to enable the reader of the financial statements to assess the inputs used to develop fair value measurement by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. Assets and liabilities carried at fair value are required to be classified and disclosed in one of the following three categories.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The guidance requires the use of valuation techniques that are consistent with the market approach, the income approach and/or the cost approach. Inputs to valuation techniques refer to the assumptions that market participants would use in pricing the asset or liability. Inputs may be observable, meaning those that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources, or unobservable, meaning those that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. In that regard, the standard establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about how other market participants would price an asset or liability.

A description of the valuation methodologies used for assets and liabilities measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is below.

Shares of registered investment companies (mutual funds): The fair value of shares of registered investment companies are valued at the net asset value (NAV) of the shares held by BCSP.

Fixed income bonds: The fair value of fixed income bonds are valued based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets.

## Board of Certified Safety Professionals

### Notes to Financial Statements

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#### Note 4. Fair Value of Financial Instruments (Continued)

*Assets at Fair Value on a Recurring Basis:* The following table summarizes assets measured at fair value on a recurring basis as of December 31, 2010 and 2009, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value.

	2010			
	Total	Level 1	Level 2	Level 3
Assets:				
Shares of registered investment companies (mutual funds):				
Index	\$ 194,770	\$ 194,770	\$ -	\$ -
Balanced	676,176	676,176	-	-
Growth	1,146,208	1,146,208	-	-
International	78,109	78,109	-	-
Fixed income bonds:				
U.S. Agencies	864,309	-	864,309	-
Municipals	223,552	-	223,552	-
Corporate	265,578	-	265,578	-
	<u>\$ 3,448,702</u>	<u>\$ 2,095,263</u>	<u>\$ 1,353,439</u>	<u>\$ -</u>
	2009			
	Total	Level 1	Level 2	Level 3
Assets:				
Mutual funds	<u>\$ 1,695,665</u>	<u>\$ 1,695,665</u>	<u>\$ -</u>	<u>\$ -</u>

#### Note 5. Long-Term Debt

Long-term debt is comprised of the following at December 31, 2010 and 2009:

	2010	2009
Mortgage payable, interest rate of 6%, due in monthly installments of \$18,828 starting August 2011, final lump sum payment due July 20, 2015, secured by real estate.	\$ 1,109,270	\$ -
Less current maturities	67,075	-
	<u>\$ 1,042,195</u>	<u>\$ -</u>

Under the construction loan agreement with the Bank, the Company has pledged securities of \$300,000.

**Board of Certified Safety Professionals**

**Notes to Financial Statements**

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**Note 5. Long-Term Debt (Continued)**

Aggregate maturities of the long-term notes payable at December 31, 2010 are as follows:

<u>Year Ending</u>	<u>Amount</u>
2011	\$ 67,075
2012	167,971
2013	178,331
2014	189,330
2015	<u>506,563</u>
	<u><u>\$ 1,109,270</u></u>

**Board of Certified Safety Professionals**

**Statement of Functional Expenses**

**Year Ended December 31, 2010, with Comparative Totals for 2009**

	Applications for Certification	Examinations and Testing	Certification Maintenance	General and Admini- strative	Total	
					2010	2009
Salaries	\$ 463,580	\$ 304,344	\$ 304,344	\$ 505,106	<b>\$ 1,577,374</b>	\$ 1,221,662
Employee benefits	128,990	84,683	84,683	140,543	<b>438,899</b>	437,357
Examination expense	-	357,110	-	-	<b>357,110</b>	385,646
Travel	56,611	37,741	37,741	56,611	<b>188,704</b>	147,829
Consulting	31,812	63,625	31,812	31,813	<b>159,062</b>	184,521
Bank charges	13,418	33,544	87,215	-	<b>134,177</b>	127,135
Payroll taxes	32,655	21,438	21,438	35,580	<b>111,111</b>	90,375
Depreciation and amortization	21,890	21,890	21,890	21,890	<b>87,560</b>	100,510
Legal and accounting	20,298	8,699	23,198	5,800	<b>57,995</b>	60,881
Postage	8,543	11,390	28,476	8,542	<b>56,951</b>	74,712
Promotions	29,582	9,861	9,861	-	<b>49,304</b>	18,056
Marketing	20,401	20,401	20,401	20,399	<b>81,602</b>	25,476
Printing supplies	21,318	4,264	14,923	2,131	<b>42,636</b>	53,797
Telephone	16,529	6,198	10,331	8,265	<b>41,323</b>	35,070
Temporary clerical	-	-	-	269	<b>269</b>	12,321
Exhibit expense	30,046	10,015	10,015	-	<b>50,076</b>	61,672
Miscellaneous	-	-	-	15,462	<b>15,462</b>	12,646
Building repairs	7,308	7,308	7,308	7,307	<b>29,231</b>	29,941
Equipment repair and maintenance	6,038	6,038	6,038	6,036	<b>24,150</b>	29,383
Accreditation expense	2,170	5,426	14,107	-	<b>21,703</b>	21,165
Utilities	4,548	4,548	4,548	4,548	<b>18,192</b>	20,022
Insurance	5,357	5,357	5,357	1,785	<b>17,856</b>	15,833
Real estate tax	4,392	4,392	4,392	4,392	<b>17,568</b>	17,568
Office supplies	3,907	2,604	2,604	3,907	<b>13,022</b>	20,469
Dues/subscriptions	2,537	5,074	2,537	2,538	<b>12,686</b>	17,958
Foundation contribution	-	-	-	11,125	<b>11,125</b>	28,000
Recruiting expense	-	-	-	10,582	<b>10,582</b>	78,366
Sales tax	-	-	-	719	<b>719</b>	1,067
Uncollectible renewal fees	-	-	315	-	<b>315</b>	260
	<b>\$ 931,930</b>	<b>\$ 1,035,950</b>	<b>\$ 753,534</b>	<b>\$ 905,350</b>	<b>\$ 3,626,764</b>	<b>\$ 3,329,698</b>