

**The Copyright Society of the U.S.A.**

Financial Statements  
For Year Ended  
September 30, 2011

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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, 2011 and 2010 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, 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.

*PKF O'Connor Davies*

New York, New York  
September 4, 2012

# The Copyright Society of the U.S.A.

## Statement of Financial Position

	September 30,	
	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
Cash and Cash Equivalents		
Wachovia operating	\$ 279,452	\$ 213,154
Cash on hand	250	250
Investments	86,001	84,881
Prepaid expenses	24,824	7,840
Computer equipment, net	914	1,220
Security deposit	4,232	4,232
Total Assets	<u>\$ 395,673</u>	<u>\$ 311,577</u>
 <b>LIABILITIES AND UNRESTRICTED NET ASSETS</b>		
Accounts payable	\$ 5,065	\$ 7,450
Accrued expenses	846	1,000
Deferred revenue	150,450	119,904
Total Liabilities	<u>156,361</u>	<u>128,354</u>
Total Unrestricted Net Assets	<u>239,312</u>	<u>183,223</u>
Total Liabilities and Unrestricted Net Assets	<u>\$ 395,673</u>	<u>\$ 311,577</u>

See notes to financial statements

## The Copyright Society of the U.S.A.

### Statement of Activities

	For Year Ended September 30,	
	2011	2010
<b>REVENUES</b>		
Memberships	\$ 280,860	\$ 268,736
Mid-winter meeting	55,784	42,672
Annual meeting	96,346	90,626
Luncheons	60,217	47,743
Dinners	25,679	5,181
Royalty income	6,196	1,435
Interest income	1,850	1,730
Miscellaneous	5,356	5,197
Net unrealized and realized investment gain (loss)	(418)	4,991
Total Revenues	531,870	468,311
<b>EXPENSES</b>		
Salaries and related benefits	92,709	99,513
Mid-winter meeting	24,820	44,578
Annual meeting	48,034	54,865
Luncheons	58,091	47,754
Dinners	28,466	5,552
Other meetings	8,935	5,057
Office rent	28,212	26,505
Journal printing and distribution	47,773	25,619
Website and computer	13,966	8,516
Stationery, supplies and postage	7,321	7,458
Professional fees	25,702	23,540
Credit card expenses	7,745	6,423
Outside services	55,495	69,764
Office expenses	2,732	1,829
Investment expenses	913	879
Insurance	5,190	3,771
Telephone and fax	2,790	1,587
Awards	1,456	1,383
Payroll taxes	7,742	8,635
Miscellaneous	7,383	19,430
Depreciation	306	231
Total Expenses	475,781	462,889
Change in Net Assets	56,089	5,422
Unrestricted nets assets, beginning of the year	183,223	177,801
Unrestricted nets assets, end of the year	\$ 239,312	\$ 183,223

See notes to financial statements

## The Copyright Society of the U.S.A.

### Statement of Cash Flows

	For Year Ended September 30,	
	2011	2010
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Changes in Net Assets	\$ 56,089	\$ 5,422
Adjustments to reconcile changes in net assets to net cash from operating activities		
Depreciation	306	231
Unrealized and realized investment gain (loss)	(418)	4,991
Changes in Certain Accounts		
Prepaid expenses	(16,984)	18,010
Security deposit	-	(1,032)
Accounts payable	(2,385)	(1,330)
Accrued expenses	(154)	333
Deferred revenue	30,546	(12,404)
Net Cash From Operating Activities	67,000	14,221
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase and sales of investments, net	(702)	(10,782)
Purchase of computer equipment	-	(750)
Net Cash from Investing Activities	(702)	(11,532)
Increase in Cash and Cash Equivalents	66,298	2,689
Cash and cash equivalents, beginning of year	213,154	210,465
Cash and cash equivalents, end of year	\$ 279,452	\$ 213,154

See notes to financial statements

# The Copyright Society of the U.S.A.

Notes to Financial Statements  
September 30, 2011

## 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 Society prepares its financial statements in conformity 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. 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, 2011 and 2010, 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, 2011 and 2010, 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, 2011

## 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, 2011, 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, 2011, tax years for all years since September 30, 2008 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, 2011 and 2010, the Society's investments consist of:

	Cost		Fair Value (Based on Quoted Market Prices)		Unrealized Depreciation	
	2011	2010	2011	2010	2011	2010
Mutual Funds	\$ 74,110	\$80,910	\$ 72,357	\$80,829	\$ 1,753	\$ 81
Money Market Funds	13,644	4,052	13,644	4,052	-	-
	<u>\$ 87,754</u>	<u>\$84,962</u>	<u>\$ 86,001</u>	<u>\$84,881</u>	<u>\$ 1,753</u>	<u>\$ 81</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.

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### 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, 2009, the Society entered into a one year lease agreement for its office space, which requires a monthly payment of \$2,055. On August 1, 2011 and 2010, the Society extended its one year lease agreement for office space, which requires a monthly payment of \$2,222 and \$2,116, 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, 2011 and 2010 are as follows:

	September 30	
	2011	2010
Program	\$ 296,839	\$ 291,430
Supporting services	<u>178,942</u>	<u>171,459</u>
	<u>\$ 475,781</u>	<u>\$ 462,889</u>

### 7. Subsequent Events

The Society has evaluated subsequent events at the balance sheet and through the date the financial statements were issued, and has determined that there were no subsequent events or transactions which would require recognition or disclosure in the financial statements.

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