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THE COPYRIGHT SOCIETY OF THE U.S.A.

Financial Statements
for year ended
September 30, 2010

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THE COPYRIGHT SOCIETY OF THE U.S.A.

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Independent Auditor's Report

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

We have audited the accompanying statement of financial position of The Copyright Society of the U.S.A. as of September 30, 2010 and the related statements of activities and cash flows for the year 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 audit.

We conducted our audit 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 audit provides 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, 2010 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

PKF LLP

January 24, 2011

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Statement of Financial Position
September 30, 2010

Assets

Cash and cash equivalents (note 1)	
Wachovia operating	\$ 213,154
Cash on hand	250
Investments (note 2)	84,881
Security deposit	4,232
Computer equipment, net	1,220
Prepaid expenses	7,840
Total assets	<u>\$ 311,577</u>

Liabilities and Unrestricted Net Assets

Accounts payable	\$ 7,450
Accrued expenses	1,000
Deferred revenue	119,904
Total liabilities	<u>128,354</u>
Total unrestricted net assets	<u>183,223</u>
Total liabilities and unrestricted net assets	<u>\$ 311,577</u>

See notes to financial statements

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Statement of Activities
For Year Ended September 30, 2010

Revenue	
Memberships	\$ 268,736
Mid-winter meeting	42,672
Annual meeting	90,626
Luncheons	47,743
Interest income	1,730
Dinners	5,181
Royalty income	1,435
Miscellaneous	5,197
Net unrealized and realized gain on investments	4,991
Total revenue	<u>468,311</u>
Expenses	
Salaries and related benefits	99,512
Office rent (note 6)	26,505
Annual meeting	54,865
Mid-winter meeting	44,578
Journal printing and distribution	25,619
Luncheons	47,754
Website and computer	8,515
Stationery, supplies and postage	7,458
Professional fees	23,540
Credit card expense	6,423
Outside services	69,764
Office expense	1,829
Other meetings	10,609
Investment expenses	879
Insurance	3,770
Telephone and fax	1,587
Awards	1,383
Payroll taxes	8,636
Miscellaneous	19,432
Depreciation	231
Total expenses	<u>462,889</u>
Changes in net assets	5,422
Unrestricted net assets - beginning of year	177,801
Unrestricted net assets - end of year	<u>\$ 183,223</u>

See notes to financial statements

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Statement of Cash Flows
For Year Ended September 30, 2010

Cash flow from operating activities	
Changes in net assets	\$ 5,422
Adjustments to reconcile changes in net assets to net cash provided by operating activities	
Depreciation	231
Unrealized and realized gain on investments	4,991
Change in certain accounts	
Decrease in prepaid expenses	18,010
Increase in security deposit	(1,032)
Decrease in accounts payable	(1,330)
Increase in accrued expenses	333
Decrease in deferred revenue	(12,404)
Net cash provided by operating activities	<u>14,221</u>
Cash flow from investing activities	
Purchase and sales of investments - net	(10,782)
Purchase of computer equipment	(750)
	<u>(11,532)</u>
Increase in cash and cash equivalents	2,689
Cash and cash equivalents, beginning of year	<u>210,715</u>
Cash and cash equivalents, end of year	\$ <u>213,404</u>

See notes to financial statements

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Notes to Financial Statements
September 30, 2010Note 1 - Summary of significant accounting policiesOrganization

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, 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.

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.

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.

Income taxes - uncertain tax positions

The Society follows the FASB Codification guidance prescribing how an entity should recognize, measure, present and disclose in its financial statements uncertain tax positions that the entity has taken or expects to take on a tax return. Additionally, for tax positions to qualify for tax benefit recognition under this guidance, the position must have at least a more-likely-than-not chance of being sustained upon challenge by the respective taxing authorities, and whether or not it meets that criteria is a matter of significant judgment. The Society believes that it does not have any uncertain tax positions that would require disclosure or recognition of a potential income tax liability. The Society's tax years for all years since September 30, 2007 remain open to most taxing authorities.

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Notes to Financial Statements (continued)
September 30, 2010Note 2 - Investments

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

At September 30, 2010, the Society's investments consists of:

	<u>Cost</u>	<u>Fair Value (Based on Quoted Market Prices)</u>	<u>Unrealized Depreciation</u>
Mutual Funds	\$ 80,910	\$ 80,829	\$ 81
Money Market Funds	4,052	4,052	-
	<u>\$ 84,962</u>	<u>\$ 84,881</u>	<u>\$ 81</u>

Note 3 - Fair value measurement

The Society adopted ASC 820-10, Fair Value Measurements and Disclosures, for investments recognized at fair value on a recurring basis. The fair value of an investment is the amount that would be received to sell the investment in an orderly transaction between market participants at the measurement date (i.e. the exit price). The adoption of ASC 820-10 did not have a material impact on the Society's financial statements.

ASC 820-10 establishes a hierarchal disclosure framework which prioritizes and ranks the level of market price observability used in measuring investments at fair value. Market price observability is impacted by a number of factors, including the type of investment and the characteristics specific to the investment. Investments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels with the highest priority to quoted prices in active markets (Level I) and the lowest priority to unobservable inputs (Level III).

Investments measured and reported at fair value are classified and disclosed in one of the following categories:

Level I - Observable inputs such as quoted prices for identical assets or liabilities in active markets.

Level II - Observable inputs other than quoted prices substantiated by market data and observable, either directly or indirectly for the asset or liability. This includes quoted prices for similar assets or liabilities in active markets.

Level III - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value of the measurement. Management of the Plan's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment.

The following table summarizes the valuation of the Society's investments by the above ASC 820-10 fair value hierarchy levels as of September 30, 2010:

<u>Total</u>	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>
\$ 84,881	\$ 84,881	\$ -	\$ -

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Notes to Financial Statements (continued)
September 30, 2010

Note 4 - 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.

Note 5 - 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.

Note 6 - 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, 2010, the Society extended its one year lease agreement for office space, which requires a monthly payment of \$2,116. Rent expense for the year ended September 30, 2010 amounted to \$26,505.

Note 7 - 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 year ended September 30, 2010 are as follows:

Program	\$ 291,430
Supporting services	171,459
Total functional expenses	<u>\$ 462,889</u>

Note 8 - Subsequent events

The Society has evaluated subsequent events through January 24, 2011 and has determined that there were no subsequent events or transactions which would require recognition or disclosure in the financial statements, other than noted herein.
