

Maryland Association Of Certified Public Accountants, Inc. And Related Organizations

Consolidated Financial Statements

For The Years Ended
June 30, 2016 And 2015



HERTZBACH
certified public accountants · consultants

Maryland Association Of Certified Public
Accountants, Inc. And Related Organizations

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For The Years Ended June 30, 2016 And 2015

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Independent Auditor's Report

To The Board Of Directors And Members
Maryland Association Of Certified Public Accountants, Inc.
And Related Organizations
Dulaney Center II
901 Dulaney Valley Road, Suite 800
Towson, Maryland 21204

We have audited the accompanying consolidated financial statements of Maryland Association Of Certified Public Accountants, Inc. and Related Organizations which comprise the consolidated statements of financial position as of June 30, 2016 and 2015, and the related consolidated statements of activities, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Maryland Association Of Certified Public Accountants, Inc. and Related Organizations as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Hertzbach & Company, P.A.

Owings Mills, Maryland
September 27, 2016

CONSOLIDATED
FINANCIAL
STATEMENTS

**Maryland Association Of Certified Public
Accountants, Inc. And Related Organizations
Consolidated Statements Of Financial Position**

June 30,	2016	2015
Assets		
CURRENT ASSETS		
Cash And Cash Equivalents	\$ 292,393	\$ 1,167,057
Investments	2,451,255	2,621,946
Accounts Receivable, Net:		
Dues	8,885	6,575
Other	516,545	633,050
Prepaid Expenses	72,616	200,134
Total Current Assets	<u>3,341,694</u>	<u>4,628,762</u>
PROPERTY, EQUIPMENT, AND SOFTWARE		
Office Furniture And Equipment	442,560	438,042
Leasehold Improvements	87,332	86,335
Software And Website Development	240,259	214,169
	770,151	738,546
Less: Accumulated Depreciation	<u>463,036</u>	<u>402,586</u>
Total Property, Equipment, And Software, Net	<u>307,115</u>	<u>335,960</u>
OTHER ASSETS		
Deposits	3,757	3,755
Deferred Tax Asset	158,254	183,243
Restricted Investments	25,000	25,000
Total Other Assets	<u>187,011</u>	<u>211,998</u>
TOTAL ASSETS	<u>\$ 3,835,820</u>	<u>\$ 5,176,720</u>

See Accompanying Notes To Financial Statements

**Maryland Association Of Certified Public
Accountants, Inc. And Related Organizations
Consolidated Statements Of Financial Position
(Continued)**

June 30,	2016	2015
Liabilities And Net Assets		
CURRENT LIABILITIES		
Accounts Payable And Accrued Expenses	\$ 1,357,006	\$ 1,161,705
Current Portion Of Note Payable	40,746	39,178
Deferred Revenue:		
Dues	399,135	1,437,139
Other	263,205	260,705
Total Current Liabilities	<u>2,060,092</u>	<u>2,898,727</u>
NONCURRENT LIABILITIES		
Deferred Rent	111,938	99,909
Note Payable, Net Of Current Portion	95,127	137,505
Total Noncurrent Liabilities	<u>207,065</u>	<u>237,414</u>
Total Liabilities	<u>2,267,157</u>	<u>3,136,141</u>
NET ASSETS		
Unrestricted	1,543,663	2,014,766
Temporarily Restricted	-	813
Permanently Restricted	25,000	25,000
TOTAL NET ASSETS	<u>1,568,663</u>	<u>2,040,579</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,835,820</u>	<u>\$ 5,176,720</u>

See Accompanying Notes To Financial Statements

**Maryland Association Of Certified Public
Accountants, Inc. And Related Organizations
Consolidated Statement Of Activities**

For The Year Ended June 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUE AND GAINS				
Membership Dues	\$ 2,183,378	\$ -	\$ -	\$ 2,183,378
Professional Development Program Fees	3,578,261	-	-	3,578,261
Self-Regulation Fees	182,820	-	-	182,820
Net Investment Income (Loss)	36,308	(813)	-	35,495
Advertising And Sponsorships	235,970	-	-	235,970
Other	80,046	-	-	80,046
Total Revenue And Gains	<u>6,296,783</u>	<u>(813)</u>	<u>-</u>	<u>6,295,970</u>
EXPENSES AND LOSSES				
Professional Development Programs	3,781,356	-	-	3,781,356
Self-Regulation And Legislation	410,496	-	-	410,496
Committees And Member Functions	43,107	-	-	43,107
Marketing And Communications	652,985	-	-	652,985
Administration	1,854,953	-	-	1,854,953
Total Expenses And Losses	<u>6,742,897</u>	<u>-</u>	<u>-</u>	<u>6,742,897</u>
CHANGE IN NET ASSETS BEFORE				
PROVISION FOR INCOME TAX EXPENSE	(446,114)	(813)	-	(446,927)
PROVISION FOR INCOME TAX EXPENSE	<u>(24,989)</u>	<u>-</u>	<u>-</u>	<u>24,989</u>
CHANGE IN NET ASSETS	(471,103)	(813)	-	(471,916)
NET ASSETS, BEGINNING OF YEAR	<u>2,014,766</u>	<u>813</u>	<u>25,000</u>	<u>2,040,579</u>
NET ASSETS, END OF YEAR	<u>\$ 1,543,663</u>	<u>\$ -</u>	<u>\$ 25,000</u>	<u>\$ 1,568,663</u>

See Accompanying Notes To Financial Statements

**Maryland Association Of Certified Public
Accountants, Inc. And Related Organizations
Consolidated Statement Of Activities**

For The Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE AND GAINS				
Membership Dues	\$ 2,222,989	\$ -	\$ -	\$ 2,222,989
Professional Development Program Fees	3,731,381	-	-	3,731,381
Self-Regulation Fees	180,710	-	-	180,710
Net Investment Income	63,926	1,313	-	65,239
Advertising And Sponsorships	322,078	-	-	322,078
Donations	-	-	5,000	5,000
Other	91,142	-	-	91,142
Net Assets Released From Restrictions	500	(500)	-	-
Total Revenue And Gains	6,612,726	813	5,000	6,618,539
EXPENSES AND LOSSES				
Professional Development Programs	3,727,706	-	-	3,727,706
Self-Regulation And Legislation	413,726	-	-	413,726
Committees And Member Functions	34,408	-	-	34,408
Marketing And Communications	614,640	-	-	614,640
Administration	1,964,502	-	-	1,964,502
Total Expenses And Losses	6,754,982	-	-	6,754,982
CHANGE IN NET ASSETS				
BEFORE PROVISION FOR INCOME TAX BENEFIT	(142,256)	813	5,000	(136,443)
PROVISION FOR INCOME TAX BENEFIT	183,243	-	-	183,243
CHANGE IN NET ASSETS	40,987	813	5,000	46,800
NET ASSETS, BEGINNING OF YEAR	1,973,779	-	20,000	1,993,779
NET ASSETS, END OF YEAR	\$ 2,014,766	\$ 813	\$ 25,000	\$ 2,040,579

See Accompanying Notes To Financial Statements

**Maryland Association Of Certified Public
Accountants, Inc. And Related Organizations
Consolidated Statements Of Cash Flows**

For The Years Ended June 30,	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Membership Dues Received	\$ 1,140,753	\$ 2,233,563
Professional Development Program Fees Received	3,709,217	3,550,886
Other Fees Received	525,624	509,368
Interest And Dividends Received	55,721	79,023
Salaries And Benefits Paid To Employees	(2,541,656)	(2,429,506)
Cash Paid To Suppliers	(3,740,273)	(4,028,090)
Interest Paid On Bank Loan	(6,107)	(4,822)
Net Cash And Cash Equivalents Used In Operating Activities	<u>(856,721)</u>	<u>(89,578)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds From Sale Of Investments In Marketable Securities	825,816	1,201,261
Purchases Of Investments In Marketable Securities	(712,844)	(1,246,533)
Purchases Of Property, Equipment, And Software	(90,106)	(352,525)
Proceeds From Sale Of Property, Equipment, And Software	-	2,435
Net Cash And Cash Equivalents Provided By (Used In) Investing Activities	<u>22,866</u>	<u>(395,362)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds From Bank Loans	100,000	200,000
Principal Payments On Bank Loans	(140,809)	(23,317)
Proceeds From Permanently Restricted Donation	-	5,000
Net Cash And Cash Equivalents (Used In) Provided By Financing Activities	<u>(40,809)</u>	<u>181,683</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(874,664)	(303,257)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>1,167,057</u>	<u>1,470,314</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 292,393</u>	<u>\$ 1,167,057</u>

See Accompanying Notes To Financial Statements

**Maryland Association Of Certified Public
Accountants, Inc. And Related Organizations
Consolidated Statements Of Cash Flows
(Continued)**

For The Years Ended June 30,	2016	2015
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH AND CASH EQUIVALENTS USED IN OPERATING ACTIVITIES:		
Change In Net Assets	\$ (471,916)	\$ 46,800
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH AND CASH EQUIVALENTS USED IN OPERATING ACTIVITIES:		
Depreciation And Amortization Expense	102,033	97,356
Loss On Sale Of Property, Equipment, And Software	16,918	24,254
Deferred Income Tax (Expense) Benefit	24,989	(183,243)
Bad Debts	1,067	6,160
Net Realized And Unrealized Losses On Investments		
In Marketable Securities	18,955	15,096
Proceeds From Permanently Restricted Donations	-	(5,000)
(Increase) Decrease In:		
Accounts Receivable	151,892	(233,080)
Prepaid Expenses	127,515	(46,570)
Increase (Decrease) In:		
Accounts Payable And Accrued Expenses	195,301	111,456
Deferred Rent	12,029	99,909
Deferred Revenue	(1,035,504)	(22,716)
Net Cash And Cash Equivalents Used In Operating Activities	<u>\$ (856,721)</u>	<u>\$ (89,578)</u>

See Accompanying Notes To Financial Statements

**Maryland Association Of Certified Public
Accountants, Inc. And Related Organizations
Notes To Consolidated Financial Statements**

For The Years Ended June 30, 2016 And 2015

1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION – The Maryland Association Of Certified Public Accountants, Inc. (MACPA) and its related organizations provide professional development, regulatory, promotional and advocacy services to its members, supporting their efforts to conform to the highest standards of professional service and conduct. Most of the members are Certified Public Accountants practicing in firms or employed by companies, non-profit organizations, schools, or government agencies located in Maryland. MACPA and its related organizations' revenues will be influenced by changes in the profession and the regional economy.

PRINCIPLES OF CONSOLIDATION – These consolidated financial statements include the resources and activities of the MACPA (a nonprofit organization), its seven chapters, its wholly-owned for-profit subsidiary, Business Learning Institute, Inc. (BLI, Inc.), and the related nonprofit organization of the Maryland Association Of Certified Public Accountants Educational Foundation, Inc. (the Foundation) (see Note 6), which has been consolidated in accordance with accounting principles generally accepted in the United States of America. As used in herein, the "Association" includes the MACPA, BLI, Inc., and the Foundation.

All significant intercompany accounts and transactions have been eliminated in consolidation.

ACCOUNTING ESTIMATES – The preparation of consolidated 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 consolidated financial statements and revenue and expenses during the year. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS – The Association considers all investment instruments purchased with an original maturity of three months or less and money market accounts to be cash equivalents.

The Association maintains cash balances at a financial institution located in the Baltimore metropolitan area. These balances are secured by the Federal Deposit Insurance Corporation. At June 30, 2016, cash balances did not exceed federally insured limits.

INVESTMENTS IN MARKETABLE SECURITIES – The Association records investments in marketable securities at fair value. Fair value is 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. See Note 2 for discussion of fair value measurement. Realized and unrealized gains and losses are recorded in the consolidated statement of activities as components of net investment income.

PROPERTY, EQUIPMENT, AND SOFTWARE – Property, equipment, and software, including website development costs in excess of \$500 are capitalized and carried at cost. Depreciation and amortization are computed over the estimated useful lives using the straight-line method. Leasehold improvements are amortized over the term of the lease or the estimated useful lives of the improvements, whichever is shorter. The estimated useful lives of the related assets are as follows:

Software And Website Development Costs	2 - 5 years
Office Furniture And Equipment	3 - 10 years
Leasehold Improvements	4 - 10 years

Depreciation and amortization expense for the years ended June 30, 2016 and 2015 was \$102,033 and \$97,356, respectively.

**Maryland Association Of Certified Public
Accountants, Inc. And Related Organizations
Notes To Consolidated Financial Statements
(Continued)**

For The Years Ended June 30, 2016 And 2015

1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ACCOUNTS RECEIVABLE – Management estimates the net realizable value of accounts receivable by reviewing the Association's detailed accounts receivable, current and past-due. Based upon this review, management estimates the amount that may not be collectible. This estimate is the basis for the allowance for doubtful accounts. As of June 30, 2016 and 2015, the Association established an allowance for doubtful accounts in the amount of \$12,642 and \$31,490, respectively.

DONATIONS – Donations received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and nature of any donor restrictions. Support that is not restricted by the donor is reported as an increase in unrestricted net assets. All other donor restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions. Restricted donations whose restrictions are met in the same reporting period are recorded as unrestricted donations.

The Association reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Association reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. All donations are recorded as revenue when received.

REVENUE RECOGNITION – Membership dues are recognized as revenue over the membership year, which coincides with the Association's fiscal year. Any uncollected dues at the end of each year are written off, and the related memberships are terminated. Dues received in advance are deferred until earned.

Revenue relating to professional development programs, including continuing education and consulting, are recognized when the programs are presented. Registration fees received prior to presentation are deferred until earned.

Accounting firms enrolled in the peer review program are assessed annual dues (self-regulating fees) for ongoing administrative costs. Revenue is recognized as the dues are assessed. Fees associated with triennial peer review examinations are recognized when the final report is accepted.

DONATED SERVICES – Donated services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills that would otherwise be purchased by the Association. Volunteers do periodically contribute their time and services to the activities of the Association. However, the value of these donated services is not reflected in these consolidated financial statements as the recognition criteria was not met.

ADVERTISING AND WEBSITE COSTS – Costs incurred in the planning stage of developing a website and costs incurred for website maintenance are expensed as incurred. Costs incurred for website enhancement are generally capitalized and depreciated over the estimated useful life. Costs of advertising and promotional campaigns are expensed as incurred. Advertising costs amounted to \$71,946 and \$62,892 for the years ended June 30, 2016 and 2015, respectively.

**Maryland Association Of Certified Public
Accountants, Inc. And Related Organizations
Notes To Consolidated Financial Statements
(Continued)**

For The Years Ended June 30, 2016 And 2015

1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUNCTIONAL EXPENSES – The costs of providing various programs and activities have been summarized on a functional basis in the consolidated statements of activities. Certain costs have been allocated among the programs and supporting services benefited.

INCOME TAXES – Income taxes are provided for the tax effects of transactions reported in the financial statements of BLI, Inc. (a for profit entity) and consist of taxes currently due plus deferred taxes related operating losses that are available to offset future federal and state income taxes. There were no taxes due for either of the years ended June 30, 2016 and 2015.

RECLASSIFICATION – Certain 2015 balances have been reclassified to conform to the 2016 presentation. Total net assets and change in net assets are unchanged due to these reclassifications.

2. INVESTMENTS

The MACPA and the Foundation maintain reserve funds invested in marketable securities with the goals of preservation of capital and purchasing power. The targeted asset allocation prescribed in the Investment Policy is 65% equities and 35% fixed income securities. The MACPA held investment assets of \$2,143,489 and \$2,322,479 at June 30, 2016 and 2015, respectively. The Foundation held investment assets of \$332,766 and \$324,467 at June 30, 2016 and 2015, respectively. Of the Foundation's held investments, \$25,000 represents permanently restricted as of June 30, 2016 and 2015 (See Note 6).

Financial Accounting Standards Board (FASB), Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are described as follows:

Level 1

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Association has the ability to access.

Level 2

Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3

Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

**Maryland Association Of Certified Public
Accountants, Inc. And Related Organizations
Notes To Consolidated Financial Statements
(Continued)**

For The Years Ended June 30, 2016 And 2015

2. INVESTMENTS (CONTINUED)

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no change in methodologies used at June 30, 2016 and 2015.

Equity And Fixed Income Securities

Valued at the quoted prices in active markets for identical assets.

Mutual Funds

Valued at the net asset value of shares held at year end. Assets are traded on an open market.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Association believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth by level, within the fair value hierarchy, the Association's investment assets at fair value as of June 30, 2016 and 2015:

Assets At Fair Value As Of June 30, 2016

	Level 1	Level 2	Level 3	Total
Fixed Income Securities:				
Government Sponsored				
Enterprise Securities	\$ 390,903	\$ -	\$ -	\$ 390,903
U.S. Treasury Notes	226,674	-	-	226,674
Corporate Bonds	150,004	-	-	150,004
Total Fixed Income Securities	767,581	-	-	767,581
Equity Securities				
Consumer Goods Industry	\$ 239,091	\$ -	\$ -	\$ 239,091
Industrial Goods Industry	137,182	-	-	137,182
Services Industry	178,159	-	-	178,159
Technology Industry	323,018	-	-	323,018
Other	498,459	-	-	498,459
Total Equity Securities	1,375,909	-	-	1,375,909
Mutual Funds				
Growth Funds	\$ 157,720	\$ -	\$ -	\$ 157,720
Income Funds	75,824	-	-	75,824
Other Funds	99,221	-	-	99,221
Total Mutual Funds	332,765	-	-	332,765
Total Assets At Fair Value	\$ 2,476,255	\$ -	\$ -	\$ 2,476,255

**Maryland Association Of Certified Public
Accountants, Inc. And Related Organizations
Notes To Consolidated Financial Statements
(Continued)**

For The Years Ended June 30, 2016 And 2015

2. INVESTMENTS (CONTINUED)

Assets At Fair Value As Of June 30, 2015				
	Level 1	Level 2	Level 3	Total
Fixed Income Securities:				
Government Sponsored				
Enterprise Securities	\$ 415,526	\$ -	\$ -	\$ 415,526
U.S. Treasury Notes	244,432	-	-	244,432
Corporate Bonds	155,003	-	-	155,003
Total Fixed Income Securities	814,961	-	-	814,961
Equity Securities				
Consumer Goods Industry	\$ 247,751	\$ -	\$ -	\$ 247,751
Industrial Goods Industry	194,702	-	-	194,702
Services Industry	250,902	-	-	250,902
Technology Industry	294,755	-	-	294,755
Other	519,408	-	-	519,408
Total Equity Securities	1,507,518	-	-	1,507,518
Mutual Funds				
Growth Funds	\$ 171,256	\$ -	\$ -	\$ 171,256
Income Funds	64,489	-	-	64,489
Other Funds	88,722	-	-	88,722
Total Mutual Funds	324,467	-	-	324,467
Total Assets At Fair Value	\$ 2,646,946	\$ -	\$ -	\$ 2,646,946

Fixed Income Securities Mature as Follows:

	2016	2015
Within Three Years	\$ 290,851	\$ 316,723
Three To Ten Years	476,730	498,238
	\$ 767,581	\$ 814,961

Net Investment Income Consisted Of:

	2016	2015
Interest And Dividends	\$ 54,450	\$ 80,335
Net Realized And Unrealized Gains (Losses)	(18,955)	(15,096)
	\$ 35,495	\$ 65,239

**Maryland Association Of Certified Public
Accountants, Inc. And Related Organizations
Notes To Consolidated Financial Statements
(Continued)**

For The Years Ended June 30, 2016 And 2015

2. INVESTMENTS (CONTINUED)

Investment management fees totaling \$31,649 and \$34,230 are included in administration expenses on the consolidated statement of activities for the years ended June 30, 2016 and 2015, respectively.

Debt securities and a money market account with a total value of \$774,295 and \$820,899 at June 30, 2016 and 2015, respectively, are pledged to secure the bank line of credit described in Note 8.

3. INCOME TAXES

The Internal Revenue Service has determined that the MACPA is exempt from federal income tax under Section 501(c)(6) and that the Foundation is exempt from federal income taxes under Section 501(c)(3). The income of BLI, Inc. is subject to federal and state income taxes. The provisions for income taxes consist of a deferred tax benefit. The deferred tax asset is provided for net operating loss carryforwards that are available to offset future federal income taxes. The deferred tax asset is comprised of the following as of June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Federal	<u>\$ 158,254</u>	<u>\$ 183,243</u>

As of June 30, 2016, BLI, Inc. had net operating loss carryforwards in the amount of \$452,154. If not used, the carryforwards will expire in years 2025 through 2032.

4. LEASE COMMITMENTS

During the year ended June 30, 2015, the Association amended their lease agreement for office space in Dulaney Center in Towson, Maryland. The lease is payable in monthly installments of \$14,693 with a 2.75% annual increase through December 2024. As a result of the amendment, the Association was provided rent abatement for the first six months of the lease. In addition, the Association leases office and classroom space in Columbia, Maryland. The lease is payable in monthly installments of \$2,972 with an annual increase of 3% through May 31, 2017.

Future minimum lease payments under the terms of the leases are as follows:

<u>Years Ending June 30,</u>		
2017	\$	219,591
2018		189,990
2019		195,215
2020		200,583
2021		206,099
Thereafter		<u>767,020</u>
Total Future Minimum Lease Payments	<u>\$</u>	<u>1,778,498</u>

The lease agreements also require payments based upon the landlords' costs of insurance, real estate taxes, and operating expenses. Rent expenses, including executory costs paid to the landlords, totaled \$233,894 and \$141,593 for the years ended June 30, 2016 and 2015, respectively.

**Maryland Association Of Certified Public
Accountants, Inc. And Related Organizations
Notes To Consolidated Financial Statements
(Continued)**

For The Years Ended June 30, 2016 And 2015

4. LEASE COMMITMENTS (CONTINUED)

Due to annual escalation clauses and rent abatement, rent expense is calculated under the straight line method. Deferred rent in the amount of \$111,938 and \$99,909 has been recorded to reflect the difference between rent calculated under the straight-line method and the amount of rent actually due for the years ended June 30, 2016 and 2015, respectively.

5. RETIREMENT PLAN

The Association has a retirement plan that qualifies under section 401(k) of the Internal Revenue Code. The plan covers employees who have attained the age of 21 and have completed one year of service. The Plan is a safe harbor plan that includes a safe harbor contribution and a profit sharing contribution that is vested over six years.

The plan is funded in the following ways:

- Safe-harbor non-elective contributions made by the Association equal to 3% of participant's compensation.
- Profit sharing contributions made by the Association to all eligible participants at a rate determined annually by the Board of Directors. Profit sharing contribution rates for each of the years ended June 30, 2016 and 2015 was 3% of annual compensation.
- Discretionary participant contributions made by individual employees.
- The Association pays a match of 25 cents on every dollar of employee contributions. Employee contributions of up to 4% of annual compensation are eligible for a match for a maximum Association payment of 1% of an employee's annual compensation.

Retirement plan expenses totaled \$128,458 and \$139,491 for the years ended June 30, 2016 and 2015, respectively.

6. EDUCATIONAL FOUNDATION

The Foundation is a public charitable and educational organization as described under Section 501(c)(3) of the Internal Revenue Code. The Foundation's assets are to be expended for its exempt charitable and educational purposes which include providing scholarships to accounting students based on need, merit and the desire to pursue a career as a Certified Public Accountant. The MACPA made no contributions to the Foundation for the years ended June 30, 2016 and 2015. The Foundation received permanently restricted donations during the years ended June 30, 2016 and 2015 in the amount of \$-0- and \$5,000, respectively.

**Maryland Association Of Certified Public
Accountants, Inc. And Related Organizations
Notes To Consolidated Financial Statements
(Continued)**

For The Years Ended June 30, 2016 And 2015

6. EDUCATIONAL FOUNDATION (CONTINUED)

The Foundation's financial statements are consolidated with the Association's and include:

	<u>2016</u>	<u>2015</u>
Cash And Investments	\$ 339,823	\$ 334,219
Contribution Receivable	<u>50</u>	<u>1,506</u>
Total Assets	<u>\$ 339,873</u>	<u>\$ 335,725</u>
Unrestricted Net Assets	\$ 314,873	\$ 309,912
Temporarily Restricted Net Assets	-	813
Permanently Restricted Net Assets	<u>25,000</u>	<u>25,000</u>
Total Net Assets	<u>\$ 339,873</u>	<u>\$ 335,725</u>
Total Revenue And Gains	\$ 9,148	\$ 20,359
Total Expenses And Losses	<u>5,000</u>	<u>8,300</u>
Increase In Unrestricted Net Assets	4,961	6,246
(Decrease) Increase In Temporarily Restricted Net Assets	(813)	813
Increase In Permanently Restricted Net Assets	<u>-</u>	<u>5,000</u>
Total Increase In Net Assets	<u>\$ 4,148</u>	<u>\$ 12,059</u>

7. ENDOWMENT FUND

The Foundation's endowment consists of one named scholarship fund to provide scholarships for minority and/or women students. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The Foundation's endowment is donor-restricted and is to be held in perpetuity to generate returns to fund the annual scholarship.

Interpretation of Relevant Law

The Foundation has established policies regarding the preservation and investment of permanently restricted net assets consistent with generally accepted accounting principles. The Foundation believes that permanently restricted funds require the preservation of the fair value of the gift, and the earnings on those funds should be classified in accordance with the donor's stipulations, in this instance as temporarily restricted until disbursed.

Return Objectives and Risk Parameters

The Foundation has adopted an investment policy for endowment assets that attempts to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain purchasing power of the endowment assets. Endowment assets consist of donor-restricted funds that the Foundation must hold in perpetuity. The assets are invested with the expectation to provide an average annual rate of return of approximately 4 percent over time. Actual returns in any given year may vary from this amount.

**Maryland Association Of Certified Public
Accountants, Inc. And Related Organizations
Notes To Consolidated Financial Statements
(Continued)**

For The Years Ended June 30, 2016 And 2015

7. ENDOWMENT FUND (CONTINUED)

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a policy of maintaining a full historical value of the principal of the permanently restricted endowment. Income earned on the principal is to be spent in its entirety for scholarships. The permanently restricted funds are currently invested in mutual funds with a target asset allocation, plus or minus 5 percent, of 65 percent equities and 35 percent fixed income securities.

Endowment net asset composition as of June 30, 2016 and 2015 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>2016</u>				
Donor-restricted Endowment Funds	\$ -	\$ -	\$ 25,000	\$ 25,000
<u>2015</u>				
Donor-restricted Endowment Funds	\$ -	\$ 813	\$ 25,000	\$ 25,813

Changes in endowment net assets for the years ended June 30, 2016 and 2015 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Net Assets, June 30, 2014	\$ -	\$ -	\$ 20,000	\$ 20,000
Contributions	-	-	5,000	5,000
Investment Income	-	1,313	-	1,313
Expenditures	-	(500)	-	(500)
Endowment Net Assets, June 30, 2015	-	813	25,000	25,813
Investment Income	-	241	-	241
Unrealized Loss	-	(1,054)	-	(1,054)
Endowment Net Assets, June 30, 2016	\$ -	\$ -	\$ 25,000	\$ 25,000

**Maryland Association Of Certified Public
Accountants, Inc. And Related Organizations**
Notes To Consolidated Financial Statements
(Continued)

For The Years Ended June 30, 2016 And 2015

8. LINE OF CREDIT

The Association may borrow up to \$200,000 under terms of a revolving line of credit with BB&T Bank. The line bears interest at the bank's prime rate, and is secured by an investment account described in Note 2. A draw of \$100,000 was made and paid back in full during 2016.

9. NOTE PAYABLE

The Association has a note payable in the amount of \$200,000 that was used to finance equipment purchases for office renovations. The note is payable in 57 monthly payments of \$3,795 beginning in December 2014. The note shall bear interest at prime for the first three months and then convert to a fixed rate of 3.93%.

The schedule of maturities for the note payable are as follows:

Years Ending June 30,

2017	\$	40,746
2018		42,376
2019		44,072
2020		8,679
		<hr/>
	\$	<u>135,873</u>

10. SUBSEQUENT EVENTS

Management has evaluated events and transactions subsequent to the consolidated statement of financial position date for potential recognition or disclosure through September 27, 2016, the date the consolidated financial statements were available to be issued. There were no events that required recognition or disclosure in the consolidated financial statements.