Maryland Association of Certified Public Accountants, Inc. and Related Organizations

Consolidated Financial Statements
For the Years Ended June 30, 2018 and 2017

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, 2017 and 2016

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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 the Maryland Association of Certified Public Accountants, Inc. and Related Organizations which comprise the consolidated statements of financial position as of June 30, 2018 and 2017, and the related consolidated statements of activities, functional expenses, 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, 2018 and 2017, 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 12, 2018

Maryland Association of Certified Public Accountants, Inc. and Related Organizations

Consolidated Statements of Financial Position
As of June 30, 2018 and 2017

	2018	2017
Assets		
Current assets		
Cash and cash equivalents	$ 785,651	$ 1,042,260
Investments	2,173,234	2,044,306
Accounts receivable, net	849,811	957,657
Prepaid expenses	124,609	44,787
Total current assets	3,933,305	4,089,010
Property, equipment, and software		
Office furniture and equipment	380,508	447,096
Leasehold improvements	63,407	87,332
Software and website development	212,691	246,259
	656,606	780,687
Less: accumulated depreciation	486,154	562,187
Total property, equipment, and software, net	170,452	218,500
Other assets		
Deposits	1,028	3,757
Deferred tax asset	143,707	161,630
Restricted investments	35,000	30,000
Total other assets	179,735	195,387
Total assets	$ 4,283,492	$ 4,502,897

See independent auditor's report and notes to consolidated financial statements.

Maryland Association of Certified Public Accountants, Inc. and Related Organizations

Consolidated Statements of Financial Position (Continued)
As of June 30, 2018 and 2017

	2018	2017
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	$ 1,099,618	$ 773,949
Line of credit	-	120,000
Current portion of note payable	45,010	43,256
Deferred revenue:		
Dues	989,915	1,388,577
Other	139,430	204,625
Total current liabilities	2,273,973	2,530,407
Noncurrent liabilities		
Deferred rent	121,013	119,018
Note payable, net of current portion	5,929	50,939
Total noncurrent liabilities	126,942	169,957
Total liabilities	2,400,915	2,700,364
Net assets		
Unrestricted	1,843,665	1,771,525
Temporarily restricted	3,912	1,008
Permanently restricted	35,000	30,000
Total net assets	1,882,577	1,802,533
Total liabilities and net assets	$ 4,283,492	$ 4,502,897

See independent auditor’s report and notes to consolidated financial statements.

Maryland Association of Certified Public Accountants, Inc. and Related Organizations

Consolidated Statement of Activities
For the Years Ended June 30, 2018 and 2017

	2018	2017
Unrestricted net assets		
Revenue, gains, and support		
Membership dues	$ 2,045,890	$ 2,145,703
Professional development program fees	3,880,802	3,852,282
Self-regulation fees	166,310	145,990
Net investment income	138,774	204,546
Advertising and sponsorships	447,965	291,365
Donations	18,118	5,934
Other	68,967	225,053
Net assets released from restriction	500	-
Total revenue, gains, and support	6,767,326	6,870,873
Expenses		
Program services	5,531,671	5,458,890
Management and general	1,145,592	1,187,497
Total expenses	6,677,263	6,646,387
Change in operating activities	90,063	224,486
Other changes in unrestricted net assets		
Provision for income tax (expense) benefit	(17,923)	3,376
Total other changes in unrestricted net assets	(17,923)	3,376
Change in unrestricted net assets	72,140	227,862
Unrestricted net assets at beginning of year	1,771,525	1,543,663
Unrestricted net assets at end of year	$ 1,843,665	$ 1,771,525

See independent auditor's report and notes to consolidated financial statements.

Maryland Association of Certified Public Accountants, Inc. and Related Organizations

Consolidated Statement of Activities (Continued)
For the Year Ended June 30,2018 and 2017

	2018	2017
Temporarily restricted net assets		
Revenue, gains, and support		
Net investment income	$ 3,404	$ 1,008
Net assets released from restrictions	(500)	-
Change in temporarily restricted net assets	2,904	1,008
Temporarily restricted net assets at beginning of year	1,008	-
Temporarily restricted net assets at end of year	$ 3,912	$ 1,008
Permanently restricted net assets		
Revenue, gains, and support		
Donations	$ 5,000	$ 5,000
Change in permanently restricted net assets	5,000	5,000
Permanently restricted net assets at beginning of year	30,000	25,000
Permanently restricted net assets at end of year	$ 35,000	$ 30,000
Total net assets at beginning of year	$ 1,802,533	$ 1,568,663
Total change in net assets	80,044	233,870
Total net assets at end of year	$ 1,882,577	$ 1,802,533

See independent auditor's report and notes to consolidated financial statements.

Maryland Association of Certified Public Accountants, Inc. and Related Organizations

Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2018

	Program	Management and General	Total
Bank fees	$ 92,541	$ 32,516	$ 125,057
Bad debt	-	3,466	3,466
Depreciation	-	82,440	82,440
Miscellaneous	16,594	3,007	19,601
Occupancy	231,504	81,340	312,844
Other employee benefits	184,946	64,981	249,927
Payroll taxes	106,337	37,362	143,699
Printing and publications	51,017	-	51,017
Professional development program expense	2,345,619	-	2,345,619
Professional fees	586,763	174,800	761,563
Recruitment and retention	14,723	-	14,723
Retirement contribution	92,463	32,487	124,950
Salary	1,536,041	539,690	2,075,731
Scholarships	7,000	-	7,000
Supplies and postage	11,819	4,153	15,972
Technology	157,070	55,187	212,257
Travel	97,234	34,163	131,397
Total expenses	$ 5,531,671	$ 1,145,592	$ 6,677,263

See independent auditor's report and notes to consolidated financial statements.

Maryland Association of Certified Public Accountants, Inc. and Related Organizations

Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2017

	Program	Management and General	Total
Bank fees	$ 110,555	$ 38,843	$ 149,398
Depreciation	-	101,983	101,983
Miscellaneous	21,844	7,159	29,003
Occupancy	264,244	92,843	357,087
Other employee benefits	159,796	45,323	205,119
Payroll taxes	109,160	30,590	139,750
Printing and publications	44,350	-	44,350
Professional development program expense	2,350,780	-	2,350,780
Professional fees	600,786	241,981	842,767
Recruitment and retention	18,300	-	18,300
Retirement contribution	94,651	23,869	118,520
Salary	1,491,511	540,113	2,031,624
Scholarships	8,500	-	8,500
Supplies and postage	16,796	5,901	22,697
Technology	102,087	35,868	137,955
Travel	65,530	23,024	88,554
Total expenses	$ 5,458,890	$ 1,187,497	$ 6,646,387

See independent auditor's report and notes to consolidated financial statements.

Maryland Association of Certified Public Accountants, Inc. and Related Organizations

Consolidated Statements of Cash Flows
For the Years Ended June 30, 2018 and 2017

	2018	2017
Cash flows from operating activities		
Membership dues received	$ 1,795,725	$ 2,722,522
Professional development program fees received	3,803,738	3,833,680
Other receipts	660,252	609,472
Interest and dividends received	48,756	47,969
Salaries and benefits paid to employees	(2,495,006)	(2,400,665)
Cash paid to suppliers	(3,861,431)	(4,716,731)
Interest paid on bank loan	(4,245)	(6,568)
Net cash and cash equivalents (used in) provided by operating activities	(52,211)	89,679
Cash flows from investing activities		
Proceeds from sale of investments in marketable securities	503,754	1,194,718
Purchases of investments in marketable securities	(517,230)	(604,859)
Purchases of property, equipment, and software	(35,407)	(13,368)
Proceeds from sale of property, equipment, and software	2,741	375
Net cash and cash equivalents (used in) provided by investing activities	(46,142)	576,866
Cash flows from financing activities		
(Payments on) proceeds from line of credit, net	(120,000)	120,000
Principal payments on note payable	(43,256)	(41,678)
Proceeds from permanently restricted donation	5,000	5,000
Net cash and cash equivalents (used in) provided by financing activities	(158,256)	83,322
Net (decrease) increase in cash and cash equivalents	(256,609)	749,867
Cash and cash equivalents, beginning of year	1,042,260	292,393
Cash and cash equivalents, end of year	$ 785,651	$ 1,042,260

See independent auditor's report and notes to consolidated financial statements.

Maryland Association of Certified Public Accountants, Inc. and Related Organizations

Consolidated Statements of Cash Flows (Continued)
For the Years Ended June 30, 2018 and 2017

		2018		2017
Reconciliation of change in net assets to net cash and cash equivalents (used in) provided by operating activities				
Change in net assets	$	80,044	$	233,870
Adjustments to reconcile change in net assets to net cash and cash equivalents (used in) provided by operating activities:				
Depreciation and amortization expense		82,440		101,983
Gain on sale of property, equipment, and software		(1,726)		(375)
Deferred income tax expense (benefit)		17,923		(3,376)
Bad debt expense		3,466		-
Net realized and unrealized gains on investments in marketable securities		(120,452)		(188,567)
Proceeds from permanently restricted donations		(5,000)		(5,000)
(Increase) decrease in:				
Accounts receivable		104,380		(429,984)
Prepaid expenses		(79,822)		21,415
Deposits		2,729		-
Increase (decrease) in:				
Accounts payable and accrued expenses		325,669		(578,230)
Deferred rent		1,995		7,080
Deferred revenue		(463,857)		930,863
Net cash and cash equivalents (used in) provided by operating activities	$	(52,211)	$	89,679

See independent auditor's report and notes to consolidated financial statements.

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) and 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 have been consolidated in accordance with accounting principles generally accepted in the United States of America. As used 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, 2018, 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.

See independent auditor's report.

1) Nature of Organization and Summary of Significant Accounting Policies (Continued)

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, 2018 and 2017 was $82,440 and $101,983, respectively. The Association disposed of assets with a cost of $159,488 and accumulated depreciation of $158,473 for the year ended June 30, 2018, primarily related to the Association's lease in Columbia, Maryland that expired (see Note 4).

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, 2018 and 2017, the Association established an allowance for doubtful accounts in the amount of $13,859 and $10,393, respectively.

MACPA adopted a subscription membership dues policy in 2016. At that time members had the option of continuing to receive paper dues invoices and pay by check, or, pay by credit card on a monthly or annual basis and have their credit card charged automatically in future months or years. Dues receivable from advance billings represent 32% and 44% of total accounts receivable as of June 30, 2018 and 2017, respectively. The timing of dues billing and credit card charges, and the related dues receivable and deferred revenue, varied slightly between fiscal years based on the need to have staff available on a business day to assist members with any questions or concerns.

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.

1) Nature of Organization and Summary of Significant Accounting Policies (Continued)

Donations (Continued)

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 or a promise to give is made.

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.

Approximately 55% of the Association’s membership dues for the years ended June 30, 2018 and 2017 are 54 years of age or older. The age demographic of membership dues could have an impact on membership dues revenue if the Association is unable to replenish these members through younger generations.

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 $41,474 and $59,536 for the years ended June 30, 2018 and 2017, respectively.

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. Actual results could differ from those estimates.

Income Taxes
A provision for income taxes is 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 to 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, 2018 and 2017.

Compensated Absences
Employees of the Association are entitled to paid days off depending on job classification, length of service, and other factors. The Association had accrued $134,779 and $131,780 for paid days off as of June 30, 2018 and 2017, respectively.

Reclassifications

Certain 2017 balances have been reclassified to conform to the 2018 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 $1,824,193 and $1,728,716 at June 30, 2018 and 2017, respectively. The Foundation held investment assets of $384,041 and $345,590 at June 30, 2018 and 2017, respectively. Of the Foundation's held investments, $35,000 and $30,000 are deemed permanently restricted as of June 30, 2018 and 2017, respectively (see Note 7).

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.

2) Investments (Continued)

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.

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, 2018 and 2017.

Equity and Fixed Income Securities
Valued at the quoted prices in active markets for identical assets.

Mutual Funds
Mutual funds are valued at quoted market prices in an exchange and active 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, 2018 and 2017. Classification within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

2) Investments (Continued)

	Assets at Fair Value as of June 30, 2018			
	Level 1	Level 2	Level 3	Total
Fixed income securities	$ 592,473	$ -	$ -	$ 592,473
Equity securities	1,231,720	-	-	$ 1,231,720
Mutual funds	384,041	-	-	$ 384,041
Total assets at fair value	$ 2,208,234	$ -	$ -	$ 2,208,234

	Assets at Fair Value as of June 30, 2017			
	Level 1	Level 2	Level 3	Total
Fixed income securities	$ 608,636	$ -	$ -	$ 608,636
Equity securities	1,120,080	-	-	1,120,080
Mutual funds	345,590	-	-	345,590
Total assets at fair value	$ 2,074,306	$ -	$ -	$ 2,074,306

Fixed income securities mature as follows:

	2018	2017
Within three years	$ 238,469	$ 263,637
Three to ten years	354,004	344,999
	$ 592,473	$ 608,636

Net investment income consisted of:

	2018	2017
Interest and dividends	$ 48,756	$ 46,433
Net realized and unrealized gains	120,452	188,567
Investment management fees	(27,030)	(29,446)
	$ 142,178	$ 205,554

Debt securities and a money market account with a total value of $602,094 and $611,642 at June 30, 2018 and 2017, respectively, are pledged to secure the bank line of credit described in Note 8.

See independent auditor's report.

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 the change in the deferred tax asset. The deferred tax asset is provided for net operating loss carryforwards that are available to offset future federal income taxes.

As of June 30, 2018, BLI, Inc. had net operating loss carryforwards in the amount of $684,321. If not used, the carryforwards will expire in years 2026 through 2037.

4) Lease Commitments

During 2014, 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. During 2017, the Association extended their lease agreement for office and classroom space in Columbia, Maryland. The lease was payable in monthly installments of $3,153 through November 30, 2017. The Association did not extend their lease in Columbia, Maryland.

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

Years ending June 30,	Amount
2019	$ 195,215
2020	200,583
2021	206,099
2022	211,767
2023	217,591
Thereafter	337,662
Total future minimum lease payments	$ 1,368,917

The lease agreements also require payments based upon the landlords' costs of insurance, real estate taxes, and operating expenses. Rent expenses, including executory costs, totaled $208,818 and $233,894 for the years ended June 30, 2018 and 2017, respectively.

Due to annual escalation clauses and rent abatement, rent expense is calculated under the straight-line method in accordance with generally accepted accounting principles. Deferred rent in the amount of $121,013 and $119,018 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, 2018 and 2017, respectively.

See independent auditor’s report.

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 by the Board of Directors. Profit sharing contribution rates for the years ended June 30, 2018 and 2017 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 $124,950 and $118,520 for the years ended June 30, 2018 and 2017, respectively. These amounts were accrued and are included in accounts payable and accrued expenses on the consolidated statements of financial position as of June 30, 2018 and 2017.

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, 2018 and 2017. The Foundation received permanently restricted donations during each of the years ended June 30, 2018 and 2017 in the amount of $5,000.

6) Educational Foundation (Continued)

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

	2018	2017
Cash and investments	$ 413,529	$ 368,304
Contribution receivable	7,171	4,827
Total assets	$ 420,700	$ 373,131
Unrestricted net assets	$ 381,788	$ 342,123
Temporarily restricted net assets	3,912	1,008
Permanently restricted net assets	35,000	30,000
Total net assets	$ 420,700	$ 373,131
Total revenue and gains	$ 56,569	$ 43,758
Total expenses and losses	9,000	10,500
Increase in unrestricted net assets	39,665	27,250
Increase (decrease) in temporarily restricted net assets	2,904	1,008
Increase in permanently restricted net assets	5,000	5,000
Total increase in net assets	$ 47,569	$ 33,258

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.

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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.

7) Endowment Fund (Continued)

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.

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, 2018 and 2017 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
2018				
Donor-restricted endowment funds	$ -	$ 3,912	$ 35,000	$ 38,912
2017				
Donor-restricted endowment funds	$ -	$ 1,008	$ 30,000	$ 31,008

Changes in endowment net assets for the years ended June 30, 2018 and 2017 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, June 30, 2016	$ -	$ -	$ 25,000	$ 25,000
Contributions	-	-	5,000	5,000
Investment income	-	3,055	-	3,055
Expenditures	-	(2,047)	-	(2,047)
Endowment net assets, June 30, 2017	-	1,008	30,000	31,008
Contributions	-	-	5,000	5,000
Investment income	-	3,404	-	3,404
Expenditures	-	(500)	-	(500)
Endowment net assets, June 30, 2018	$ -	$ 3,912	$ 35,000	$ 38,912

See independent auditor's report.

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. The outstanding balance was $-0- and $120,000 as of June 30, 2018 and 2017, respectively.

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,	Amount
2019	$ 45,010
2020	5,929
	$ 50,939

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 12, 2018, 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.

See independent auditor's report.