

Audited Financial Statements

The Michigan Association of  
Certified Public Accountants

*Years Ended March 31, 2019 and 2018  
with Report of Independent Auditors*

The Michigan Association of  
Certified Public Accountants

Audited Financial Statements

Years Ended March 31, 2019 and 2018

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## Report of Independent Auditors

Board of Directors  
The Michigan Association of Certified  
Public Accountants

We have audited the accompanying financial statements of the Michigan Association of Certified Public Accountants, which comprise the statements of financial position as of March 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of the Michigan Association of Certified Public Accountants as of March 31, 2019 and 2018, 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.

## **Emphasis of Matter**

As discussed in Note 1 to the financial statements, the Michigan Association of Certified Public Accountants implemented FASB Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update changes terminology used for net asset classifications and adds additional disclosures related to liquidity, availability of resources, and expenses. The ASU has been applied retrospectively to all periods presented, as applicable. Our opinion is not modified with respect to this matter.

*Andrews Hooper Pavlik PLC*

Okemos, Michigan  
August 28, 2019

The Michigan Association of Certified Public Accountants

Statements of Financial Position

	<b>March 31</b>	
	<b>2019</b>	<b>2018</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 303,036	\$ 65,125
Accounts receivable (less allowance for doubtful accounts of \$15,000)	215,576	136,706
Deferred costs and prepaid expenses	218,426	265,968
Investments	3,658,833	4,167,916
Furniture, equipment, and leasehold improvements, net	890,764	871,810
Total assets	<u>\$ 5,286,635</u>	<u>\$ 5,507,525</u>
 <b>Liabilities and Net Assets</b>		
Accounts payable	\$ 200,124	\$ 181,550
Accrued compensation and withheld payroll taxes	138,461	123,782
Accrued other liabilities	366,134	388,353
Bank line of credit	210,000	-
Commercial card program liability	-	60,000
Unearned program revenue	667,526	616,085
Unearned membership dues	796,346	765,161
Capital lease payable	179,450	231,868
Total liabilities	<u>2,558,041</u>	<u>2,366,799</u>
Net assets without donor retrictions	<u>2,728,594</u>	<u>3,140,726</u>
Total liabilities and net assets	<u>\$ 5,286,635</u>	<u>\$ 5,507,525</u>

The Michigan Association of Certified Public Accountants

Statements of Activities

	<b>Year Ended March 31</b>	
	<b>2019</b>	<b>2018</b>
<b>Operating Revenue</b>		
Continuing professional education and development	\$ 3,988,208	\$ 3,931,669
Dues	3,145,851	3,086,960
Peer review services	398,108	359,818
Member services	218,602	164,713
Interest and dividend income	154,750	140,082
Grant	445,012	234,183
Other	82,174	109,069
	<hr/>	<hr/>
Total operating revenue	8,432,705	8,026,494
<b>Operating Expenses</b>		
Program services:		
Professional education and development	3,996,274	3,970,383
Membership services, recruitment, and retention	2,301,760	2,061,329
Peer review services	405,132	340,662
Community outreach	78,173	79,940
Total program services	<hr/> 6,781,339	<hr/> 6,452,314
Supporting activities – general management	<hr/> 1,853,522	<hr/> 1,804,315
Total operating expenses	<hr/> 8,634,861	<hr/> 8,256,629
Operating loss	(202,156)	(230,135)
<b>Other Revenue and Expenses</b>		
Realized and unrealized gain (loss) on investments, net	<hr/> (209,976)	<hr/> 279,944
Change in net assets without donor restrictions	(412,132)	49,809
Net assets without donor restrictions, beginning of year	3,140,726	3,090,917
Net assets without donor restrictions, end of year	<hr/> <b>\$ 2,728,594</b>	<hr/> <b>\$ 3,140,726</b>

See accompanying notes.

The Michigan Association of Certified Public Accountants

Statement of Functional Expenses

Year Ended March 31, 2019

	Program Services				Supporting Activities	Total
	Professional Education and Development	Peer Review Services	Membership Services	Community Outreach	General Management	
<b>Operating Expenses</b>						
Salaries and wages	\$ 870,435	\$ 164,387	\$ 1,116,075	\$ 3,860	\$ 964,337	\$ 3,119,094
Benefits	113,110	29,273	127,027	217	137,240	406,867
Payroll taxes	69,012	13,078	90,373	321	69,293	242,077
Total salaries and related expenses	1,052,557	206,738	1,333,475	4,398	1,170,870	3,768,038
Professional fees	346,682	127,712	205,946	-	181,138	861,478
Presenter fees	786,584	-	3,367	-	46	789,997
Supplies	79,834	283	23,442	-	69,672	173,231
Communication	10,224	847	7,194	-	63,305	81,570
Marketing	242,654	2,997	69,381	-	16,984	332,016
Occupancy	144,300	16,190	112,624	-	50,680	323,794
Dues and subscriptions	8,793	302	18,554	-	27,331	54,980
Equipment	87,273	9,792	68,115	-	30,652	195,832
Transportation	160,606	5,336	56,874	-	26,525	249,341
Meetings	820,149	5,394	189,151	73,775	33,966	1,122,435
Other	52,918	6,687	54,651	-	110,809	225,065
Depreciation	203,700	22,854	158,986	-	71,544	457,084
Total operating expenses	\$ 3,996,274	\$ 405,132	\$ 2,301,760	\$ 78,173	\$ 1,853,522	\$ 8,634,861

See accompanying notes.

The Michigan Association of Certified Public Accountants

Statement of Functional Expenses

Year Ended March 31, 2018

	Program Services				Supporting	Total
	Professional	Peer Review	Membership	Community	Activities	
	Education and	Services	Services	Outreach	General	
	Development				Management	
<b>Operating Expenses</b>						
Salaries and wages	\$ 885,647	\$ 144,116	\$ 921,324	\$ 10,542	\$ 975,581	\$ 2,937,210
Benefits	103,162	27,203	103,870	469	125,712	360,416
Payroll taxes	73,004	11,606	76,111	890	72,152	233,763
Total salaries and related expenses	1,061,813	182,925	1,101,305	11,901	1,173,445	3,531,389
Professional fees	372,808	86,163	272,445	-	120,956	852,372
Presenter fees	722,398	2,090	4,092	-	-	728,580
Supplies	92,755	425	38,575	-	82,399	214,154
Communication	10,258	495	6,051	-	71,467	88,271
Marketing	216,469	2,899	42,800	-	20,248	282,416
Occupancy	140,967	15,816	110,023	-	49,511	316,317
Dues and subscriptions	9,076	285	13,206	-	29,569	52,136
Equipment	89,673	10,061	69,989	-	31,494	201,217
Transportation	182,892	9,668	56,020	-	37,936	286,516
Meetings	853,750	6,230	147,633	68,039	60,660	1,136,312
Other	48,920	4,688	67,597	-	67,414	188,619
Depreciation and loss on disposal	168,604	18,917	131,593	-	59,216	378,330
Total operating expenses	\$ 3,970,383	\$ 340,662	\$ 2,061,329	\$ 79,940	\$ 1,804,315	\$ 8,256,629

See accompanying notes.

The Michigan Association of Certified Public Accountants

Statements of Cash Flows

	<b>Year Ended March 31</b>	
	<b>2019</b>	<b>2018</b>
<b>Operating Activities</b>		
Change in unrestricted net assets	\$ (412,132)	\$ 49,809
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Loss on capital lease termination	-	1,602
Depreciation and amortization	457,084	377,461
Realized and unrealized (gain) loss on investments	196,225	(297,363)
Loss on disposal of fixed assets	-	869
Changes in operating assets and liabilities:		
Accounts receivable	(78,870)	33,378
Deferred costs and prepaid expenses	47,542	(27,827)
Accounts payable	18,574	(27,249)
Accrued liabilities	(7,540)	46,443
Unearned revenue	82,626	(23,559)
Net cash provided by operating activities	<u>303,509</u>	<u>133,564</u>
<b>Investing Activities</b>		
Payments for purchase of furniture, equipment, and leasehold improvements	(476,038)	(221,597)
Withdrawal from investments	451,400	-
Payments for investments	(2,305,299)	(3,197,839)
Proceeds from the sale or maturity of investments	2,166,757	3,030,449
Net cash used in investing activities	<u>(163,180)</u>	<u>(388,987)</u>
<b>Financing Activities</b>		
Payments on capital lease	(52,418)	(50,811)
Net change in line of credit	210,000	-
Net change in commercial card program liability	(60,000)	60,000
Net cash provided by financing activities	<u>97,582</u>	<u>9,189</u>
Net change in cash and cash equivalents	237,911	(246,234)
Cash and cash equivalents at beginning of year	65,125	311,359
Cash and cash equivalents at end of year	<u>\$ 303,036</u>	<u>\$ 65,125</u>
<b>Supplemental cash flow information</b>		
Cash paid for interest	\$ 4,127	\$ 4,123
Cash paid for taxes	13,368	15,892
Noncash investing and financing transactions:		
Equipment acquired by capital lease	-	268,937
Equipment disposed in capital lease termination	-	29,494

See accompanying notes.

# The Michigan Association of Certified Public Accountants

## Notes to Financial Statements

March 31, 2019

### 1. Nature of Activities and Summary of Significant Accounting Policies

#### Nature of Business

The Michigan Association of Certified Public Accountants (Association), dba MICPA, a 501(c)(6) not-for-profit organization, is a diversified professional, member-driven organization for certified public accountants and affiliated professionals. Its mission is to enhance the success of CPAs and their value to society. It contributes to the success of its members by:

- Providing education, information, resources, and leadership to its members and the public;
- Promoting high standards of quality, objectivity, and integrity in the services provided by its members;
- Partnering with educators to promote the profession;
- Actively participating in the public policy-making process;
- Increasing public awareness as trusted professional advisors;
- Encouraging diversity in membership and leadership;
- Promoting community involvement and public service; and
- Promoting responsibility and accountability within the profession.

#### Accounting Method

The financial statements have been prepared on the accrual basis in conformity with accounting principles generally accepted in the United States of America, which requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. The Association presents its financial statements in accordance with the accounting principles generally accepted in the United States of America for financial statements of not-for-profit organizations.

#### Classification of Net Assets

Net assets of the Association are classified as follows:

Net assets without donor restrictions – Net assets not subject to donor restrictions.

Net assets with donor restrictions – Net assets subject to donor-imposed restrictions. The Association has no such net assets.

# The Michigan Association of Certified Public Accountants

## Notes to Financial Statements

March 31, 2019

### **1. Nature of Activities and Summary of Significant Accounting Policies (continued)**

#### **Cash and Cash Equivalents**

For the purpose of the statements of cash flows, the Association considers temporarily invested sweep account balances to be cash equivalents. Included in cash equivalents are two account balances with one bank totaling \$366,714 as of March 31, 2019, and \$85,824 as of March 31, 2018. At times, the Association's cash exceeds the current insured amount under Federal Deposit Insurance Corporation (FDIC) protection.

#### **Concentration of Credit Risk**

The Association maintains money market funds with one brokerage firm. The Association does not require collateral or any other security to support its investments.

Financial instruments which potentially subject the Association to concentrations of credit risk consist principally of cash and cash equivalents, marketable securities, and trade receivables. The Association places its temporary cash investments with creditworthy, high quality financial institutions to limit exposure. Marketable securities include investments in several different funds. By policy, these investments are kept within limits designed to prevent risks caused by concentration. Credit risks with respect to trade receivables are limited because the Association deals with a large number of professionals in a wide geographic area.

#### **Accounts Receivable**

Accounts receivable are generally stated at invoice amounts. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off.

#### **Furniture, Equipment, and Leasehold Improvements**

Furniture, equipment, and leasehold improvements are stated at cost less accumulated depreciation or amortization and include expenditures for additions and major improvements in excess of \$500-\$1,000 based on the type of asset. Assets which are retired or otherwise disposed of are eliminated from the accounts, and the resulting gains or losses are reflected in operations concurrently. Depreciation and amortization is computed on the straight-line method over the estimated useful lives of the assets, which range from two to ten years for leasehold improvements, office furniture and fixtures, equipment, copiers, and computer software.

# The Michigan Association of Certified Public Accountants

## Notes to Financial Statements

March 31, 2019

### 1. Nature of Activities and Summary of Significant Accounting Policies (continued)

#### Furniture, Equipment, and Leasehold Improvements (continued)

All costs incurred in the planning stage of developing a website are expensed as incurred, as are internal and external training and maintenance costs. Fees incurred to internet service providers in return for hosting a website on their servers are expensed over the period of benefit. Fees paid to consulting firms that develop computer systems and software are deferred and amortized on the straight-line method, which begins when the system becomes operational.

#### Revenue Recognition

Membership dues are recognized as revenue in the applicable membership period. Dues received in advance of the applicable membership period are recorded as unearned revenue and recognized in that future period.

Revenue from professional development, conferences, seminars, and webinars received in advance of the period to which they are related is recognized when services are rendered to customers. AICPA Peer Review program administration fees are amortized into income in equal monthly amounts over the calendar year.

Unearned program revenue was comprised of the following as of March 31:

	<u>2019</u>	<u>2018</u>
Peer review program administration fees	\$ 212,362	\$ 205,718
Continuing professional education fees	178,233	170,928
Business development and other programs	276,931	239,439
Total	<u>\$ 667,526</u>	<u>\$ 616,085</u>

#### Contributed Services

A number of members have contributed significant amounts of time to the activities of the Association. The financial statements do not reflect the value of these contributed services in accordance with revenue recognition guidance for not-for-profit organizations.

#### Reclassifications

Certain items have been reclassified to be consistent with the current year's presentation. Amounts for the functional categories of expenses have been reclassified on the statement of activities and statement of functional expenses to conform to the current functional expense allocation methodologies. These reclassifications did not have an impact on net assets.

# The Michigan Association of Certified Public Accountants

## Notes to Financial Statements

March 31, 2019

### **1. Nature of Activities and Summary of Significant Accounting Policies (continued)**

#### **Functional Allocation of Expenses**

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Salaries and related personnel expenses are charged to programs and supporting services based on actual time spent in these areas. Certain other identifiable expenses are charged directly to major business activities. Certain occupancy costs, equipment costs, technology salaries, and depreciation have been allocated based on staff count.

#### **Advertising and Promotions**

The costs of advertising and promotions, which are expensed as incurred, amounted to \$20,400 for the year ended March 31, 2019, and \$36,505 for the year ended March 31, 2018.

#### **Subsequent Events**

The Association has evaluated events and transactions for potential recognition or disclosure through August 28, 2019, which is the date the financial statements were available to be issued.

#### **Change in Accounting Principle**

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classifications, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Association has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented, as applicable. The change affected the terminology of the net asset restriction levels, the functional allocation of expenses, the presentation of investment expenses netted against investment returns, and certain footnote disclosures.

#### **Income Taxes**

The Association is an organization exempt from income tax under Section 501(c)(6) of the Internal Revenue Code. Certain income of the Association, however, is subject to taxation. The Association is also subject to a proxy tax on certain legislative activities. The proxy tax was approximately \$8,250 for the year ended March 31, 2019, and approximately \$12,000 for the year ended March 31, 2018.

# The Michigan Association of Certified Public Accountants

## Notes to Financial Statements

March 31, 2019

### 1. Nature of Activities and Summary of Significant Accounting Policies (continued)

#### Income Taxes (continued)

The Association's U.S. Federal income tax returns prior to fiscal year 2016 are closed and management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law, and new authoritative rulings. The Association does not believe that the results from any examination of open years would have a material adverse effect on the Association.

As of March 31, 2019 and 2018, the Association did not recognize any interest and penalties associated with tax matters.

#### 2. Liquidity and Availability

The Association's working capital and cash flows have variations during the year attributable to the annual cash receipts for dues and cyclical ups and downs in continuing professional education. To manage liquidity, the Association maintains a line of credit of \$600,000 with a bank that is drawn upon as needed during the year to manage cash flow and is then repaid as cash flow allows.

The following reflects the Association's financial assets as of March 31, 2019, reduced by amounts not available for general use within one year of the statement of financial position date. Amounts not available include amounts related to contractual restrictions and amounts designated by the Board of Directors for an operating reserve of 25% of the average operating revenue over two years, which could be drawn upon if the Board of Directors approves that action.

Cash and cash equivalents – operating	\$ 244,882
Investments	3,658,833
Receivables	215,576
Total financial assets	<u>4,119,291</u>
Investments collateral related to line of credit	(210,000)
Board-designated required reserve	<u>(2,057,400)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 1,851,891</u></u>

# The Michigan Association of Certified Public Accountants

## Notes to Financial Statements

March 31, 2019

### 3. Investments

Investments were recorded at fair market value and totaled \$3,658,833 as of March 31, 2019, and \$4,167,916 as of March 31, 2018.

The Association accounts for investments in accordance with accounting principles generally accepted in the United States of America for investments held by not-for-profit organizations. This guidance requires that all investments in debt securities and equity securities with readily determinable fair values be recorded at fair value. Marketable securities are stated at fair value based on quoted prices. Realized and unrealized gains and losses are included in the statement of activities net of investment advisor fees.

Included in investments is cash or money market funds held by one brokerage firm in the amount of \$262,402 as of March 31, 2019, and \$9,363 as of March 31, 2018.

Also included in investments are exchange traded funds, which are funds that trade similar to publicly-traded securities. Similar to shares of an index mutual fund, each share of these funds represents a partial ownership in an underlying portfolio of securities intended to track a market index.

### 4. Fair Value Measurements

The Association values its financial assets and liabilities in accordance with the 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 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 institute 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 assets or liabilities; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

The Michigan Association of Certified Public Accountants

Notes to Financial Statements

March 31, 2019

**4. Fair Value Measurements (continued)**

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 Association’s Level 3 annuity investment’s fair value is based upon the contract value reported by the insurance company, which approximates fair value.

Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Financial assets and liabilities carried at fair value as of March 31, 2019 and 2018 are classified in the following tables in one of the three categories described above.

<b>As of March 31, 2019</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Cash or Money Market (Morgan Stanley)	\$ 262,402	\$ -	\$ -	\$ 262,402
Traditional Equity	2,160,325	-	-	2,160,325
Fixed Income	421,652	-	-	421,652
Alternatives	497,644	-	-	497,644
Zurich Z54 Annuity	-	-	316,810	316,810
<b>Total Portfolio Value</b>	<b>\$ 3,342,023</b>	<b>\$ -</b>	<b>\$ 316,810</b>	<b>\$ 3,658,833</b>

<b>As of March 31, 2018</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Cash or Money Market (Morgan Stanley)	\$ 9,363	\$ -	\$ -	\$ 9,363
Traditional Equity	2,847,833	-	-	2,847,833
Fixed Income	355,268	-	-	355,268
Alternatives	636,185	-	-	636,185
Zurich Z54 Annuity	-	-	319,267	319,267
<b>Total Portfolio Value</b>	<b>\$ 3,848,649</b>	<b>\$ -</b>	<b>\$ 319,267</b>	<b>\$ 4,167,916</b>

# The Michigan Association of Certified Public Accountants

## Notes to Financial Statements

March 31, 2019

### 4. Fair Value Measurements (continued)

The change in Level 3 investments is as follows for the years ended March 31:

	<b>2019</b>	<b>2018</b>
Beginning balance	\$ 319,267	\$ 274,540
Deposits from payroll withholdings	-	24,600
Unrealized gain (loss)	(2,457)	20,127
Ending balance	<u>\$ 316,810</u>	<u>\$ 319,267</u>

### 5. Furniture, Equipment, and Leasehold Improvements

Furniture, equipment, and leasehold improvements consists of the following as of March 31:

	<b>2019</b>	<b>2018</b>
Furniture	\$ 356,827	\$ 360,007
Technology	973,219	892,365
Website/software development	1,729,014	1,340,772
Leasehold improvements	220,403	220,403
Copiers under capital lease	268,937	268,937
Total	<u>3,548,400</u>	<u>3,082,484</u>
Less accumulated depreciation and amortization	<u>2,657,636</u>	<u>2,210,674</u>
Furniture, equipment, and leasehold improvements, net	<u>\$ 890,764</u>	<u>\$ 871,810</u>

Technology includes purchased computer equipment and software. Within this category as of March 31, 2019 are nondepreciable assets representing deposits for assets not yet placed in service totaling \$52,747 (\$39,643 as of March 31, 2018). Depreciation and amortization was \$457,084 for the year ended March 31, 2019, and \$377,461 for the year ended March 31, 2018.

### 6. Bank Line of Credit and Commercial Card Program

As of March 31, 2019, the Association had available a bank line of credit under which it could borrow up to a maximum of \$600,000 for working capital and operating expenses with a variable interest rate of 3% above LIBOR. This line is a demand note that matures upon issuance and is collateralized by all personal property of the Association. There was an outstanding balance of \$210,000 on March 31, 2019.

As of March 31, 2018, the Association had available a commercial credit card program up to a maximum of \$90,000 that was non-revolving. There was \$60,000 outstanding on the commercial credit card on March 31, 2018. A full payment was previously made on the due date; therefore, interest charges and rate are not applicable. This program was not utilized as of March 31, 2019.

# The Michigan Association of Certified Public Accountants

## Notes to Financial Statements

March 31, 2019

### **7. Retirement Plans**

The Association has a safe harbor 401(k) plan which is available to all eligible employees. Under the safe harbor plan, a nonelective 3% contribution is made for eligible employees. This plan also allows a 9% contribution to be made for a highly compensated employee. The expense for the year ended March 31, 2019 was approximately \$97,000, and approximately \$88,000 for the year ended March 31, 2018.

The Association has also made available a 457(b) plan to a select group of management employees. Deferral to this plan is from base salary. All contributed amounts remain the property of the Association and are subject to claims of the Association's creditors in the event of insolvency. Deferred funds held by the Association are adjusted for earnings and losses according to the performance of the investment. Distribution of these funds is allowed only after separation of employment. The deferred amount due to an employee upon separation of employment as of March 31, 2019 was \$316,810, and \$319,267 as of March 31, 2018, which has been included in accrued other liabilities.

### **8. Lease Commitments**

The Association occupies 12,621 square feet in leased facilities located in Troy, Michigan. The total amount of the base rent payments is being charged to expense using the straight-line method over the lease terms. The accumulated result of using the straight line method of expensing rent in excess of actual rental payments amounted to \$16,121 as of March 31, 2019, and \$32,882 as of March 31, 2018 and has been included in accrued other liabilities in the accompanying statements of financial position.

This lease will expire September 30, 2019. Minimum rental cash commitments by fiscal year on this lease are as follows:

2020	\$ 143,161
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The facility lease expense was approximately \$264,800 for the years ended March 31, 2019 and 2018.

In January 2019, the Association entered into a new office space lease which commenced August 1, 2019. The lease has a term of 150 months and provides for 4.5 months of free rent upon commencement and monthly base rental payments of \$20,366.75 thereafter, which are increased each year by approximately 2.4%. Total lease payments for the 150 month term of the lease are approximately \$3,357,000, plus operating expense rent as described in the lease agreement (for amounts in excess of base year operating expense).

# The Michigan Association of Certified Public Accountants

## Notes to Financial Statements

March 31, 2019

### 8. Lease Commitments (continued)

The Association leases copiers and a Duplo cutting machine under a capital lease. Accumulated depreciation as of March 31, 2019 includes \$94,128 related to these leased assets. Depreciation expense for the year ended March 31, 2019 was \$53,763, and \$40,365 for the year ended March 31, 2018.

The following is a schedule of the future minimum lease payments by fiscal year under the capital lease with the present value of the net minimum lease payments as of March 31, 2019:

	2020	\$ 56,545
	2021	56,545
	2022	56,545
	2023	15,871
		<hr/>
Total minimum lease payments		185,506
Amount representing interest		(6,056)
		<hr/>
Present value of minimum lease payments		<u>\$ 179,450</u>

### 9. Related Party Transactions

#### *Michigan Accountancy Foundation*

The Michigan Accountancy Foundation's (Foundation) mission is to encourage excellence in the public accounting profession by supporting accounting education. The Foundation's financial statements are not combined with those of the Association. The Association provides general and administrative services to the Foundation. Amounts billed to the Foundation for general and administrative services were \$57,143 for the year ended March 31, 2019, and \$60,343 for the year ended March 31, 2018. In addition, the Association made unrestricted contributions to the Foundation of \$51,335 for the year ended March 31, 2019, and \$52,697 for the year ended March 31, 2018. Unrestricted funding is used by the Foundation to award scholarships to accounting students completing their fifth year of education.

#### *Other*

In the ordinary course of business, the Association compensates various Board Members' firms for services rendered outside those as a director.