



Certified Public Accountants

H E R T Z B A C H
C O M P A N Y, P. A.

Business Consultants

Report Of Independent Certified Public Accountants

**To The Board Of Directors
And Members**

Maryland Association Of Certified Public Accountants, Inc.

Dulaney Center II

901 Dulaney Valley Road, Suite 710

Towson, Maryland 21204

We have audited the accompanying consolidated statements of financial position of Maryland Association Of Certified Public Accountants, Inc. and Subsidiary, as of June 30, 2009 and 2008, and the related consolidated statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Association's management. 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Maryland Association Of Certified Public Accountants, Inc. and Subsidiary as of June 30, 2009 and 2008 and the changes in its net assets and cash flows for the years then ended in conformity with auditing standards generally accepted in the United States of America.

Hertzbach & Company P.A.

Certified Public Accountants

Baltimore, Maryland
September 25, 2009

**FINANCIAL
STATEMENTS**

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

June 30,	2009	2008
Assets		
CURRENT ASSETS		
Cash And Cash Equivalents	\$ 1,217,320	\$ 1,301,580
Investments In Marketable Securities	1,336,506	1,548,010
Accounts Receivable		
Dues	910,023	1,023,238
Other (Net Of Allowance For Uncollectible Accounts Of \$14,667 - 2009 And \$26,912 - 2008)	448,112	549,632
Inventory And Prepaid Expenses	116,863	114,979
	<u>4,028,824</u>	<u>4,537,439</u>
PROPERTY, EQUIPMENT, AND SOFTWARE		
Office Furniture And Equipment	495,988	481,713
Leasehold Improvements	79,745	76,846
Software And Website Development Costs	283,616	277,129
	<u>859,349</u>	<u>835,688</u>
Less: Accumulated Depreciation	671,276	606,959
	<u>188,073</u>	<u>228,729</u>
TOTAL ASSETS	<u>\$ 4,216,897</u>	<u>\$ 4,766,168</u>
Liabilities And Net Assets		
Accounts Payable And Accrued Expenses	\$ 507,360	\$ 772,972
Unearned Revenue		
Dues	2,139,404	2,063,247
Other	400,990	392,794
	<u>3,047,754</u>	<u>3,229,013</u>
TOTAL LIABILITIES	<u>3,047,754</u>	<u>3,229,013</u>
TOTAL UNRESTRICTED NET ASSETS	<u>1,169,143</u>	<u>1,537,155</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,216,897</u>	<u>\$ 4,766,168</u>

See Accompanying Notes

**Maryland Association Of Certified Public
Accountants, Inc. And Subsidiary
Consolidated Statements Of Activities**

For The Years Ended June 30,	2009	2008
REVENUE		
Membership Dues	\$ 1,989,379	\$ 1,922,879
Professional Development Program Fees	4,054,147	4,261,900
Self-Regulation Fees	157,980	132,770
Investment Loss	(213,700)	(43,566)
Advertising And Sponsorships	109,058	257,517
Other	94,293	110,333
Total Revenue	<u>6,191,157</u>	<u>6,641,833</u>
EXPENSES		
Professional Development Programs	3,973,207	3,897,389
Self-Regulation And Legislation	364,477	355,515
Committees And Member Functions	20,028	31,860
Marketing And Communications	710,945	747,899
Administration	1,490,512	1,584,157
Total Expenses	<u>6,559,169</u>	<u>6,616,820</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	(368,012)	25,013
UNRESTRICTED NET ASSETS, BEGINNING OF YEAR	<u>1,537,155</u>	<u>1,512,142</u>
UNRESTRICTED NET ASSETS, END OF YEAR	<u>\$ 1,169,143</u>	<u>\$ 1,537,155</u>

See Accompanying Notes

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

For The Years Ended June 30,	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Membership Dues Received	\$ 2,180,651	\$ 1,915,577
Professional Development Fees Received	4,155,615	3,938,974
Other Fees Received	391,777	400,982
Interest And Dividends Received	51,067	87,309
Salaries And Benefits Paid To Employees	(2,511,765)	(2,246,002)
Cash Paid To Suppliers	(4,221,100)	(4,168,723)
Net Cash Provided By (Used In) Operating Activities	<u>46,245</u>	<u>(71,883)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds From Sale Of Investment Securities	650,907	922,133
Purchase Of Investment Securities	(716,705)	(958,611)
Acquisitions Of Property, Equipment, And Software	(65,194)	(65,633)
Proceeds From Sale Of Equipment	487	2,660
Net Cash Used In Investing Activities	<u>(130,505)</u>	<u>(99,451)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(84,260)	(171,334)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>1,301,580</u>	<u>1,472,914</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,217,320</u>	<u>\$ 1,301,580</u>
RECONCILIATION OF INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Increase (Decrease) In Unrestricted Net Assets	\$ (368,012)	\$ 25,013
ADJUSTMENTS TO RECONCILE INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Depreciation And Amortization	105,950	108,786
Gain On Disposition Of Equipment	(102)	(1,115)
Bad Debt Expense	(12,244)	14,146
Net Realized And Unrealized Loss On Investments	264,767	130,855
(Increase) Decrease In:		
Accounts Receivable	239,029	(330,877)
Inventory And Prepaid Expenses	(1,884)	(22,085)
Increase (Decrease) In:		
Accounts Payable And Accrued Expenses	(265,612)	102,364
Unearned Revenue	84,353	(98,970)
	<u>\$ 46,245</u>	<u>\$ (71,883)</u>

See Accompanying Notes

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

June 30, 2009 And 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION – Maryland Association Of Certified Public Accountants, Inc. (Association) provides professional development, regulatory, promotional and advocacy services to its members, supporting their efforts to conform to high 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. Association revenues will be influenced by changes in the profession and the regional economy.

PRINCIPLES OF CONSOLIDATION – These financial statements report the resources and activities of the state office of the Association, its seven chapters, and its wholly-owned subsidiary, Business Learning Institute, Inc. (BLI, Inc.). Inter-company balances and transactions have been eliminated.

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

CASH AND CASH EQUIVALENTS – Cash and cash equivalents include balances with banks, overnight investments, and money market accounts.

INVESTMENTS – The Association records investments in marketable securities at fair value based on quoted market prices with realized and unrealized gains and losses recorded in the statement of activities as components of investment income.

PROPERTY, EQUIPMENT, AND SOFTWARE – Property, equipment, and software, including website development costs, are stated 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, 2009 and 2008 was \$105,950 and \$108,786, respectively.

ACCOUNTS RECEIVABLE – Management estimates the net realizable value of accounts receivable by reviewing the Association's detail 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 management records each year.

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

June 30, 2009 And 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FAIR VALUE OF FINANCIAL INSTRUMENTS – The Association adopted Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurements*. SFAS No. 157 among other things, defines fair value, establishes a consistent framework for measuring fair value and expands disclosure for each major asset and liability category measured at fair value on either a recurring or nonrecurring basis. SFAS No. 157 clarifies that fair value is an exit price, representing the amount expected to be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. To increase consistency and comparability in fair value measurements and related disclosures, SFAS No. 157 sets forth a three-tier hierarchy for the inputs used to measure fair value based on the degree to which such inputs are observable in the marketplace, as follows:

- (i) Level 1 - observable inputs such as quoted prices in active markets;
- (ii) Level 2 - inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and
- (iii) Level 3 - unobservable inputs for which there is little or no market data, which require the reporting entity to develop its own assumptions.

For the Association, the financial assets and liabilities reported at fair value are based upon quoted prices for identical assets or liabilities in an active market that the Association has the ability to access (Level 1). As of and for the year ended June 30, 2009, only the Association's marketable securities, as described in Note 3 of these financial statements, were measured at fair value on a recurring basis and subject to SFAS 157.

DONATIONS – The Association reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor 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 statement of activities as net assets released from restrictions. In addition, any interest and dividend income or realized capital gains generated from temporarily restricted net assets is recorded and classified as unrestricted net assets, in accordance with SFAS No. 117.

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 – 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 billed in advance of the membership year are deferred.

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

Firms enrolled in the peer review program are assessed annual dues 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.

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

June 30, 2009 And 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONTRIBUTED SERVICES – Many volunteers have contributed their time and services to the activities of the Association. The value of these contributed services is not reflected in these financial statements.

EXPENSES – Costs incurred in the planning stage of developing a website and costs incurred for website maintenance are expensed as incurred. Costs of advertising and promotional campaigns are expensed as incurred.

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

INVENTORY – Inventories are stated at the lower of cost or market determined by the first-in, first-out method.

UNCERTAIN TAX POSITIONS – In accordance with Financial Accounting Standards Board (FASB) Staff Position (FSP) Financial Interpretation Number (FIN) 48-3, *Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises*, the Association has elected to defer application of FIN 48, *Accounting for Uncertainty in Income Taxes*. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement of Financial Accounting Standards (SFAS) No. 109, *Accounting for Income Taxes*.

Since the provisions of FIN 48 have not been implemented in accounting for uncertain tax positions, the Association continues to utilize its prior policy of accounting for these positions following the guidance in SFAS No. 5, *Accounting for Contingencies*. As of June 30, 2009 and 2008, the Association has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements under SFAS No. 5.

2. CASH AND CASH EQUIVALENTS

Cash equivalents include the following interest-bearing accounts at June 30, 2009 and 2009:

	<u>2009</u>	<u>2008</u>
Overnight Investments	\$ 1,149,358	\$ 1,166,909
Money Market Accounts	<u>34,724</u>	<u>66,446</u>
	<u>\$ 1,184,082</u>	<u>\$ 1,233,355</u>

The balance in overnight investments can exceed the cash balance reported in the statements of financial position because of the float of the Association's outstanding checks. At June 30, 2009 and 2008, cash balances exceeded the federally insured limit by \$980,058 and \$1,140,047, respectively.

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

June 30, 2009 And 2008

3. MARKETABLE SECURITIES

As of June 30, 2009, the Association has valued all of its investments using quoted prices in active markets for identical assets (Level 1 as described in Note 1 to these financial statements).

At June 30, 2009 and 2008, investments in marketable securities consisted of the following:

	<u>2009</u>	<u>2008</u>
U.S. Government And Agency Securities	\$ 436,142	\$ 437,188
Corporate Bonds	170,927	105,106
Total Debt Securities	<u>607,069</u>	<u>542,294</u>
Equity Securities	<u>729,437</u>	<u>1,005,716</u>
	<u>\$ 1,336,506</u>	<u>\$ 1,548,010</u>

Debt Securities Mature As Follows:

	<u>2009</u>	<u>2008</u>
Within Three Years	\$ 214,600	\$ 179,175
Over Three To Ten Years	<u>392,469</u>	<u>363,119</u>
	<u>\$ 607,069</u>	<u>\$ 542,294</u>

Investment Income Consisted Of:

	<u>2009</u>	<u>2008</u>
Interest And Dividends	\$ 51,067	\$ 87,289
Realized And Unrealized Losses	<u>(264,767)</u>	<u>(130,855)</u>
	<u>\$ (213,700)</u>	<u>\$ (43,566)</u>

Investment management fees totaling \$21,940 and \$26,585 are included in administration expenses for the years ended June 30, 2009 and 2008, respectively.

Debt securities and a money market account with a total value of \$614,180 and \$576,759 at June 30, 2009 and 2008, respectively, are pledged to secure the bank line of credit described in Note 8.

4. INCOME TAXES

The Internal Revenue Service has determined that the Association is exempt from federal income tax under Section 501(c)(6). The income of BLI, Inc. is subject to federal and state income taxes. BLI, Inc. had no income tax expense for the years ended June 30, 2009 and 2008 and had a net operating loss (NOL) carryover of \$245,266 and \$263,091 as of June 30, 2009 and 2008, respectively. These carryovers begin to expire in 2023. Due to the uncertainty of the realization of the deferred tax asset associated with the NOL carryover, a full valuation allowance has been provided at June 30, 2009 and 2008.

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

June 30, 2009 And 2008

5. LEASE COMMITMENTS

The Association is presently obligated under leases for office and classroom space in Dulaney Center in Towson which expire June 30, 2014, and a lease for office and classroom space in Columbia which expires May 31, 2012.

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

Year Ending June 30,

2010	\$ 262,461
2011	269,393
2012	273,395
2013	245,838
2014	<u>252,243</u>
Total Future Minimum Lease Payments	\$ <u>1,303,330</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, totaling \$313,247 and \$290,292 are included in administration expenses for the years ended June 30, 2009 and 2008, respectively.

6. 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 funded in the following ways:

- Safe-harbor contributions made by the Association equal to 3% of participants' 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 the years ended June 30, 2009 and 2008 were 0% and 3% of annual compensation, respectively.
- Discretionary personal contributions made by individual employees.
- The Association paid 25% match on personal 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 totaling \$75,812 and \$109,341 are included in administration expenses for the years ended June 30, 2009 and 2008, respectively.

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

June 30, 2009 And 2008

7. EDUCATIONAL FOUNDATION

The Association's Board of Directors comprises the membership of the Maryland Association of Certified Public Accountants Educational Foundation, Inc. (the Foundation). The Foundation provides scholarships to accounting students based on need, merit, and the intention to pursue a career as a Certified Public Accountant. The Association made contributions of \$4,036 and \$9,162 to the Foundation for the years ended June 30, 2009 and 2008, respectively. The Foundation had total assets of \$194,662 and \$224,984 and no liabilities at June 30, 2009 and 2008, respectively.

The Association does not have an economic interest in the Foundation. Accordingly, the financial statements of the Foundation have not been combined with the accompanying financial statements of the

8. LINE OF CREDIT

The Association may borrow up to \$250,000 under terms of a line of credit with a bank. The line bears interest at the bank's prime rate, and is secured by an investment account described in Note 3. No draws were made on the line during the years ended June 30, 2009 or 2008.