Maryland Association Of Certified Public Accountants, Inc. And Subsidiary

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For The Years Ended June 30, 2010 And 2009

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, 2010 and 2009, and the related consolidated statements of activities and cash flows for the years then ended. These consolidated 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated 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, 2010 and 2009 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 23, 2010

CONSOLIDATED

FINANCIAL

STATEMENTS

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

June 30,	2010	2009
Assets		
CURRENT ASSETS		
Cash And Cash Equivalents	$ 1,518,713	$ 1,217,320
Investments In Marketable Securities	1,470,388	1,336,506
Accounts Receivable		
Dues	911,787	910,023
Other (Net Of Allowance For Uncollectible Accounts Of $15,136 - 2010 And $14,667 - 2009)	447,128	448,112
Inventory And Prepaid Expenses	110,987	113,108
Total Current Assets	4,459,003	4,025,069
PROPERTY, EQUIPMENT, AND SOFTWARE		
Office Furniture And Equipment	515,694	495,988
Leasehold Improvements	79,745	79,745
Software And Website Development Costs	296,870	283,616
	892,309	859,349
Less: Accumulated Depreciation	756,898	671,276
Total Property, Equipment, And Software	135,411	188,073
OTHER ASSETS		
Deposits	3,755	3,755
Total Other Assets	3,755	3,755
TOTAL ASSETS	$ 4,598,169	$ 4,216,897
Liabilities And Net Assets		
Accounts Payable And Accrued Expenses	$ 673,803	$ 507,360
Unearned Revenue		
Dues	2,150,107	2,139,404
Other	362,997	400,990
TOTAL LIABILITIES	3,186,907	3,047,754
UNRESTRICTED NET ASSETS	1,411,262	1,169,143
TOTAL LIABILITIES AND NET ASSETS	$ 4,598,169	$ 4,216,897

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

For The Years Ended June 30,	2010	2009
REVENUE		
Membership Dues	$ 2,047,250	$ 1,989,379
Professional Development Program Fees	3,756,589	4,054,147
Self-Regulation Fees	194,525	157,980
Investment Income (Loss)	155,446	(213,700)
Advertising And Sponsorships	138,987	109,058
Other	85,657	94,293
Total Revenue	6,378,454	6,191,157
EXPENSES		
Professional Development Programs	3,480,555	3,973,207
Self-Regulation And Legislation	393,176	364,477
Committees And Member Functions	25,576	20,028
Marketing And Communications	580,285	710,945
Administration	1,656,743	1,490,512
Total Expenses	6,136,335	6,559,169
INCREASE (DECREASE) IN UNRESTRICED NET ASSETS	242,119	(368,012)
UNRESTRICTED NET ASSETS, BEGINNING OF YEAR	1,169,143	1,537,155
UNRESTRICTED NET ASSETS, END OF YEAR	$ 1,411,262	$ 1,169,143

See Accompanying Notes

Maryland Association Of Certified Public Accountants, Inc. And Subsidiary

Consolidated Statements Of Cash Flows

For The Years Ended June 30,	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Membership Dues Received	$ 2,053,394	$ 2,180,651
Professional Development Program Fees Received	3,637,344	4,155,615
Other Fees Received	501,389	391,777
Interest And Dividends Received	45,477	51,067
Salaries And Benefits Paid To Employees	(2,256,505)	(2,511,765)
Cash Paid To Suppliers	(3,615,099)	(4,221,100)
Net Cash Provided By Operating Activities	366,000	46,245
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds From Sale Of Investments	1,024,534	650,907
Purchase Of Investments	(1,046,275)	(716,705)
Purchases Of Property, Equipment, And Software	(43,239)	(65,194)
Proceeds From Sale Of Property, Equipment, And Software	373	487
Net Cash Used In Investing Activities	(64,607)	(130,505)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	301,393	(84,260)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	1,217,320	1,301,580
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 1,518,713	$ 1,217,320
RECONCILIATION OF INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Increase (Decrease) In Unrestricted Net Assets	$ 242,119	$ (368,012)
ADJUSTMENTS TO RECONCILE INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Depreciation Expense	95,528	105,950
Gain On Sale Of Property, Equipment, And Software	(373)	(102)
Bad Debt Expense	468	(12,244)
Net Realized And Unrealized (Gain) / Loss On Investments	(112,236)	264,767
(Increase) Decrease In:		
Accounts Receivable	(780)	239,029
Inventory And Prepaid Expenses	2,121	(1,884)
Increase (Decrease) In:		
Accounts Payable And Accrued Expenses	166,443	(265,612)
Unearned Revenue	(27,290)	84,353
	$ 366,000	$ 46,245

See Accompanying Notes

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

June 30, 2010 And 2009

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 expense for the years ended June 30, 2010 and 2009 was $95,528 and $105,950, 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.

RECLASSIFICATIONS – Certain amounts in 2009 have been reclassified in order to conform to the 2010 presentation.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FAIR VALUE OF FINANCIAL INSTRUMENTS – The Association adopted FASB Accounting Standards Codification (ASC) Topic 820, Fair Value Measurements and Disclosures (formerly FASB Statement No. 157, *Fair Value Measurements)*. ASC 820 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. ASC 820 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, ASC 820 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 years ended June 30, 2010 and 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 ASC 820.

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 FASB Accounting Standards Codification (ASC) Topic 958, Not-for-Profit Entities (formerly FASB Statement 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

2. CASH AND CASH EQUIVALENTS

Cash equivalents include the following interest-bearing accounts at June 30, 2010 and 2009:

	2010	2009
Overnight Investments	$ 1,287,596	$ 1,149,358
Money Market Accounts	29,175	34,724
	$ 1,316,771	$ 1,184,082

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, 2010 and 2009, cash balances exceeded the federally insured limit by $1,126,830 and $980,058, respectively.

3. MARKETABLE SECURITIES

As of June 30, 2010 and 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, 2010 and 2009, investments in marketable securities consisted of the following:

	2010	2009
Available-For-Sale Debt Securities:		
Residential Mortgage-Backed Securities	$ 79,968	$ 172,030
Commercial Mortgage-Backed Securities	164,784	111,934
U.S. Treasury Notes	156,004	152,178
Corporate Bonds	147,430	170,927
Total Available-For-Sale Debt Securities	$ 548,186	$ 607,069
Available-For-Sale Equity Securities		
Financial Services Industry	$ 114,596	$ 81,755
Consumer Goods Industry	108,840	57,313
Technology Industry	218,816	220,520
Other	478,868	369,849
Total Available-For-Sale Equity Securities	$ 921,120	$ 729,437
Mutual Funds:		
Other	$ 1,082	$ -
Total Mutual Funds	$ 1,082	$ -
TOTALS	$ 1,470,388	$ 1,336,506

Debt Securities Mature As Follows:

	2010	2009
Within Three Years	$ 200,326	$ 214,600
Over Three To Ten Years	347,860	392,469
	$ 548,186	$ 607,069

Investment Income Consisted Of:

	2010	2009
Interest And Dividends	$ 45,477	$ 51,067
Realized And Unrealized Gains/Losses	109,969	(264,767)
	$ 155,446	$ (213,700)

3. MARKETABLE SECURITIES (CONTINUED)

Investment management fees totaling $24,022 and $21,940 are included in administration expenses for the years ended June 30, 2010 and 2009, respectively.

Debt securities and a money market account with a total value of $550,043 and $614,180 at June 30, 2010 and 2009, 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, 2010 and 2009 and had a net operating loss (NOL) carryover of $399,205 and $245,266 as of June 30, 2010 and 2009, 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, 2010 and 2009.

UNCERTAIN TAX POSITIONS – Effective July 1, 2009, the Association adopted ASC 740, *Income Taxes* (formerly referred to as FASB Financial Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*), which clarified the accounting for uncertainty in income taxes. The Association recognizes the tax benefit from uncertain tax positions only if it is more likely than not the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position.

Based on its evaluation, the Association has concluded that there are no significant uncertain tax positions requiring recognition in the financial statements. The tax years ended June 30, 2007 through June 30, 2010 remain open to examination by tax jurisdictions to which the Association is subject. The Association's policy is to record interest and penalties related to unrecognized tax benefits in income tax tax expense. No interest or penalties have been recorded as a result of tax uncertainties.

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,	
2011	$ 269,393
2012	273,395
2013	245,838
2014	252,243
Total Future Minimum Lease Payments	$ 1,040,869

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 $284,273 and $313,247 are included in administration expenses for the years ended June 30, 2010 and 2009, 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, 2010 and 2009 were 3% and 0% of annual compensation, respectively.
- Discretionary personal 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 totaling $111,829 and $75,812 are included in administration expenses for the years ended June 30, 2010 and 2009, respectively.

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 $7,321 and $4,036 to the Foundation for the years ended June 30, 2010 and 2009, respectively. The Foundation had total assets of $214,442 and $194,662 and no liabilities at June 30, 2010 and 2009, 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 Association.

8. LINE OF CREDIT

The Association may borrow up to $250,000 under terms of a revolving 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, 2010 and 2009.

9. SUBSEQUENT EVENTS

Management has evaluated events and transactions subsequent to the balance sheet date for potential recognition or disclosure through September 23, 2010, the date the financial statements were available to be issued. There were no events that required recognition or disclosure in the financial statements.