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

Consolidated Financial Statements

For The Years Ended
June 30, 2012 and 2011

HERTZBACH & COMPANY, P.A.
Certified Public Accountants & Consultants

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

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HERTZBACH & COMPANY, P.A.
Certified Public Accountants & Consultants

Independent Auditors' Report

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 the Maryland Association Of Certified Public Accountants, Inc. and Related Organizations (the Association), as of June 30, 2012 and 2011, 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 the Maryland Association Of Certified Public Accountants, Inc. and Related Organizations as of June 30, 2012 and 2011, and the changes in its net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Hertzbach & Company P.A.

Certified Public Accountants

Maryland
October 4, 2012

CONSOLIDATED

FINANCIAL

STATEMENTS

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

June 30,	2012	2011
Assets		
CURRENT ASSETS		
Cash And Cash Equivalents	$ 1,386,531	$ 1,264,902
Investments In Marketable Securities	1,998,032	1,947,777
Accounts Receivable:		
Dues	1,229,847	1,311,677
Other (Net Of Allowance For Doubtful Accounts Of $20,655 - 2012 And $14,822 - 2011)	450,022	480,561
Inventory And Prepaid Expenses	140,394	103,819
Total Current Assets	5,204,826	5,108,736
PROPERTY, EQUIPMENT, AND SOFTWARE		
Office Furniture And Equipment	419,634	504,776
Leasehold Improvements	79,902	79,745
Software And Website Development Costs	309,941	313,366
	809,477	897,887
Less: Accumulated Depreciation	734,622	774,195
Total Property, Equipment, And Software	74,855	123,692
OTHER ASSETS		
Deposits	3,755	3,755
TOTAL ASSETS	$ 5,283,436	$ 5,236,183
Liabilities And Net Assets		
Accounts Payable And Accrued Expenses	$ 708,645	$ 721,720
Unearned Revenue:		
Dues	2,260,422	2,155,395
Other	327,405	337,477
TOTAL LIABILITIES	3,296,472	3,214,592
UNRESTRICTED NET ASSETS	1,986,964	2,021,591
TOTAL LIABILITIES AND NET ASSETS	$ 5,283,436	$ 5,236,183

See Accompanying Notes To Financial Statements

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

For The Years Ended June 30,	2012	2011
REVENUE		
Membership Dues	$ 2,071,874	$ 2,061,153
Professional Development Program Fees	3,977,247	4,021,562
Self-Regulation Fees	187,715	153,395
Investment Income	47,210	378,045
Advertising And Sponsorships	263,285	226,455
Other	84,194	99,709
Total Revenue	6,631,525	6,940,319
EXPENSES		
Professional Development Programs	3,856,518	3,900,327
Self-Regulation And Legislation	387,342	375,718
Committees And Member Functions	61,248	44,984
Marketing And Communications	666,819	467,795
Administration	1,694,225	1,755,607
Total Expenses	6,666,152	6,544,431
CHANGE IN UNRESTRICED NET ASSETS	(34,627)	395,888
UNRESTRICTED NET ASSETS, BEGINNING OF YEAR	2,021,591	1,625,703
UNRESTRICTED NET ASSETS, END OF YEAR	$ 1,986,964	$ 2,021,591

See Accompanying Notes To Financial Statements

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

For The Years Ended June 30,	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Membership Dues Received	$ 2,256,977	$ 1,667,366
Professional Development Program Fees Received	3,958,407	3,945,069
Other Fees Received	570,314	503,223
Interest And Dividends Received	53,887	52,747
Salaries And Benefits Paid To Employees	(2,433,405)	(2,423,697)
Cash Paid To Suppliers	(4,192,969)	(3,964,081)
Net Cash And Cash Equivalents Provided By (Used In) Operating Activities	213,211	(219,373)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds From Sale Of Investments In Marketable Securities	503,845	1,268,600
Purchases Of Investments In Marketable Securities	(567,103)	(1,233,947)
Purchases Of Property, Equipment, And Software	(28,748)	(97,243)
Proceeds From Sale Of Property, Equipment, And Software	424	1,065
Net Cash Used In Investing Activities	(91,582)	(61,525)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	121,629	(280,898)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	1,264,902	1,545,800
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 1,386,531	$ 1,264,902
RECONCILIATION OF CHANGE IN UNRESTRICTED NET ASSETS TO NET CASH AND CASH EQUIVALENTS PROVIDED BY OPERATING ACTIVITIES		
Change In Unrestricted Net Assets	$ (34,627)	$ 395,888
ADJUSTMENTS TO RECONCILE CHANGE IN UNRESTRICTED NET ASSETS TO NET CASH AND CASH EQUIVALENTS PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Depreciation And Amortization Expense	79,676	104,128
Loss (Gain) On Sale Of Property, Equipment, And Software	5,262	(1,065)
Provision For Bad Debts	5,832	(314)
Net Realized And Unrealized Losses (Gains) On Investments In Marketable Securities	7,303	(325,519)
(Increase) Decrease In:		
Accounts Receivable	98,888	(427,344)
Inventory And Prepaid Expenses	(32,821)	7,168
Increase (Decrease) In:		
Accounts Payable And Accrued Expenses	(11,257)	47,917
Unearned Revenue	94,955	(20,232)
Net Cash And Cash Equivalents Provided By (Used In) Operating Activities	$ 213,211	$ (219,373)

See Accompanying Notes To Financial Statements

1. SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION – The Maryland Association Of Certified Public Accountants, Inc. (MACPA) provides 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 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, its seven chapters, its wholly-owned for-profit subsidiary, Business Learning Institute, Inc. (BLI, Inc.), and the related organization of the Maryland Association of Certified Public Accountants Educational Foundation, Inc. (the Foundation) (see Note 7), which has been consolidated in accordance with accounting principles generally accepted in the United States of America. As used in herein, the "Association" includes the MACPA, BLI, Inc., and the Foundation.

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

ACCOUNTING ESTIMATES – The preparation of 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 – For purposes of the consolidated statement of cash flows, the Association considers all investment instruments purchased with an original maturity of three months or less and money market accounts to be cash equivalents.

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 3 for discussion of fair value measurement. Realized and unrealized gains and losses are 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, 2012 and 2011 was $79,676 and $104,128, respectively.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 consolidated 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 unless otherwise required by the donor.

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 until earned.

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

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.

CONTRIBUTED 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. 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 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 of advertising and promotional campaigns are expensed as incurred.

FUNCTIONAL EXPENSES - 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, 2012 and 2011:

	2012	2011
Money Market Accounts	$ 55,211	$ 85,654

The Association maintains cash balances at a financial institution located in the Baltimore metropolitan area and, at times, balances may exceed federally insured limits. The Association has never experienced any losses related to these balances. All of the Association's non-interest bearing cash balances were fully insured at June 30, 2012 due to a temporary federal program in effect from December 31, 2010 through December 31, 2012. Under the program, there is no limit to the amount of insurance for eligible accounts.

3. INVESTMENTS

The Association 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 Association held investment assets of $1,768,340 and $1,732,978 at June 30, 2012 and 2011, respectively. The Foundation held investment assets of $229,692 and $214,799 at June 30, 2012 and 2011, respectively.

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 FASB ASC 820 are described as follows:

Level 1
Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Association has the ability to access.

Level 2
Inputs to the valuation methodology include

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

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

Level 3
Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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

3. INVESTMENTS (CONTINUED)

Following is a description of the valuation methodologies used for assets measured at fair value.

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

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, 2012 and 2011:

Assets At Fair Value As Of June 30, 2012

	Level 1	Level 2	Level 3	Total
Debt Securities:				
Residential Securities	$ 269,861	$ -	$ -	$ 269,861
U.S. Treasury Notes	200,350	-	-	200,350
Corporate Bonds	136,010	-	-	136,010
Total Debt Securities	606,221	-	-	606,221
Equity Securities:				
Consumer Goods Industry	$ 137,733	$ -	$ -	$ 137,733
Industrial Goods Industry	140,952	-	-	142,952
Services Industry	255,610	-	-	255,610
Technology Industry	204,999	-	-	204,999
Other	422,825	-	-	422,825
Total Equity Securities	1,162,119	-	-	1,162,119
Mutual Funds:				
Growth Funds	$ 89,350	$ -	$ -	$ 89,350
Income Funds	65,090	-	-	65,090
Other Funds	75,252	-	-	75,252
Total Mutual Funds	229,692	-	-	229,692
Total Assets At Fair Value	$ 1,998,032	$ -	$ -	$ 1,998,032

3. INVESTMENTS (CONTINUED)

Assets At Fair Value As Of June 30, 2011

	Level 1	Level 2	Level 3	Total
Debt Securities:				
Residential Securities	$ 52,071	$ -	$ -	$ 52,071
Commercial Securities	198,527	-	-	198,527
U.S. Treasury Notes	193,086	-	-	193,086
Corporate Bonds	134,771	-	-	134,771
Total Debt Securities	578,455	-	-	578,455
Equity Securities:				
Consumer Goods Industry	$ 152,572	$ -	$ -	$ 152,572
Industrial Goods Industry	139,057	-	-	139,057
Services Industry	218,624	-	-	218,624
Technology Industry	189,581	-	-	189,581
Other	454,689	-	-	454,689
Total Equity Securities	1,154,523	-	-	1,154,523
Mutual Funds:				
Growth Funds	$ 88,288	$ -	$ -	$ 88,288
Income Funds	66,305	-	-	66,305
Other Funds	60,206	-	-	60,206
Total Mutual Funds	214,799	-	-	214,799
Total Assets At Fair Value	$ 1,947,777	$ -	$ -	$ 1,947,777

Debt Securities Mature As Follows:

	2012	2011
Within Three Years	$ 229,680	$ 286,020
Over Three To Ten Years	376,541	292,435
	$ 606,221	$ 578,455

Investment Income Consisted Of:

	2012	2011
Interest And Dividends	$ 54,513	$ 52,526
Realized And Unrealized Gains (Losses)	(7,303)	325,519
	$ 47,210	$ 378,045

Investment management fees totaling $26,773 and $26,797 are included in administration expenses for the years ended June 30, 2012 and 2011, respectively.

Debt securities and a money market account with a total value of $609,627 and $584,594 at June 30, 2012 and 2011, 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 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. BLI, Inc. had no income tax expense for the years ended June 30, 2012 and 2011 and had a net operating loss (NOL) carryover of $549,586 and $482,832 as of June 30, 2012 and 2011, respectively. This carryover begins 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 had been provided at June 30, 2012 and 2011.

The Association has adopted ASC 740, *Income Taxes*. Based on its evaluation, the Association has concluded that there are no significant uncertain tax positions requiring recognition in the consolidated financial statements. The tax years ended June 30, 2009 through June 30, 2012 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 as income 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, Maryland which expires June 30, 2014, and a lease for office and classroom space in Columbia, Maryland which expires May 31, 2017.

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

Year Ending June 30,	
2013	$ 248,541
2014	286,957
2015	35,756
2016	36,828
2017	34,686
Total Future Minimum Lease Payments	$ 642,768

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 $300,204 and $304,343 are included in administration expenses for the years ended June 30, 2012 and 2011, 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 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 contributions made by the Association equal to 3% of participants' compensation.

6. RETIREMENT PLAN (CONTINUED)

- Profit sharing contributions made by the Association to all eligible participants at a rate determined annually by the Board of Directors. Profit sharing contribution rates for each of the years ended June 30, 2012 and 2011 was 3% of annual compensation.
- 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 $108,996 and $115,477 are included in administration expenses for the years ended June 30, 2012 and 2011, respectively.

7. 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 contributions to the Foundation of $5,914 and $7,302 for the years ended June 30, 2012 and 2011, respectively. The Foundation's financial statements are consolidated with the Association's and include:

	2012	2011
Cash and Investments	$ 254,679	$ 242,464
Contributions Receivable	1,818	791
Total Assets	$ 256,497	$ 243,255
Total Liabilities	$ -	$ -
Unrestricted Net Assets	$ 256,497	$ 243,255
Total Revenues and Gains	$ 24,841	$ 40,115
Total Expenses	11,600	11,302
Increase in Unrestricted Net Assets	$ 13,241	$ 28,813

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, which expires on December 29, 2012, 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, 2012 and 2011.

9. SUBSEQUENT EVENTS

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