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

Consolidated Financial Statements
Years Ended June 30, 2021 and 2020

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and Related Organizations

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

Contents

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Independent Auditor's Report

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of the Maryland Association of Certified Public Accountants, Inc. and Related Organizations (the Organization), which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Organization as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the consolidated financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable basis of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

Prior Period Consolidated Financial Statements

The consolidated financial statements of the Organization as of and for the year ended June 30, 2020 were audited by Hertzbach & Company, P.A. (Hertzbach), whose Maryland partners and professional staff joined BDO USA, LLP as of November 16, 2020. Hertzbach expressed an unmodified opinion on those consolidated financial statements in its report dated September 21, 2020.

BDO USA, LLP

Potomac, Maryland
May 19, 2022

Consolidated Financial Statements

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

Consolidated Statements of Financial Position

June 30,	**2021**	2020
Assets		
Current assets		
Cash and cash equivalents	**$ 2,311,050**	$ 701,795
Accounts receivable, net	**531,050**	558,314
Prepaid expenses	**65,634**	67,568
Total current assets	**2,907,734**	1,327,677
Property,equipment, and software		
Office furniture and equipment	**325,022**	335,330
Leasehold improvements	**63,407**	63,407
Software and website development	**186,209**	186,209
Less: accumulated depreciation	**(542,030)**	(525,359)
Total property, equipment, and software	**32,608**	59,587
Other assets		
Deposits	**3,970**	3,507
Deferred tax assets, net	**-**	238,310
Investment in joint venture	**19,847**	-
Investments	**2,909,936**	1,554,202
Total other assets	**2,933,753**	1,796,019
Total assets	**$ 5,874,095**	$ 3,183,283
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	**$ 785,627**	$ 886,837
Deferred rent	**19,782**	14,114
Note payable	**430,615**	-
Deferred revenue		
Dues	**272,363**	206,843
Other	**246,925**	319,168
Total current liabilities	**1,755,312**	1,426,962
Deferred rent, net of current portion	**75,289**	95,071
Total liabilities	**1,830,601**	1,522,033
Net assets		
Without donor restrictions	**3,994,993**	1,622,708
With donor restrictions	**48,501**	38,542
Total net assets	**4,043,494**	1,661,250
Total liabilities and net assets	**$ 5,874,095**	$ 3,183,283

See accompanying notes to the consolidated financial statements.

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

Consolidated Statements of Activities

June 30,	**2021**	2020
Net assets without donor restrictions		
Revenue, gains, and support without donor restrictions		
Membership dues	**$ 2,030,707**	$ 2,045,473
Professional development program fees	**3,054,920**	3,018,706
Self-regulation fees	**101,951**	154,267
Net investment income	**423,772**	90,173
Advertising and sponsorships	**511,837**	476,391
Donations	**29,776**	18,236
Other	**57,930**	92,995
Net assets released from restriction, satisfactions of program restrictions	**-**	1,000
Total revenue, gains, and support without donor restrictions	**6,210,893**	5,897,241
Operating Expenses		
Program services		
Membership and advocacy	**1,083,721**	1,245,461
Professional development	**3,082,260**	3,563,024
Self regulation	**113,833**	153,802
Total program expenses	**4,279,814**	4,962,287
Supporting services		
Management and general	**1,070,484**	1,189,266
Total operating expenses	**5,350,298**	6,151,553
Change in net assets without donor restrictions	**860,595**	(254,312)
Net assets with donor restrictions		
Revenue, gains, and support with donor restrictions		
Net investment income (loss)	**10,807**	(761)
Net assets released from restrictions, satisfaction of program restrictions	**(848)** **-**	(1,000)
Change in net assets with donor restrictions	**9,959**	(1,761)
Change in net assets from operations	**870,554**	(256,073)
Nonoperating Activities		
Gain on sale of subsidiary's assets	**1,750,000**	-
Deferred tax asset write off	**(238,310)**	-
Total nonoperating activities	**1,511,690**	-
Change in net assets	**2,382,244**	(256,073)
Total net assets at beginning of year	**1,661,250**	1,917,323
Total net assets at end of year	**$ 4,043,494**	$ 1,661,250

See accompanying notes to the consolidated financial statements.

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

Consolidated Statements of Functional Expenses

	Program Services				Supporting Services	
June 30, 2021	Membership and Advocacy	Professional Development	Self Regulation	Total Program Expenses	Management and General	Total
Salary	$ 525,070	$ 746,051	$ 26,361	$ 1,297,482	$ 393,256	$ 1,690,738
Professional development program expense	-	1,499,462	698	1,500,160	-	1,500,160
Marketing	174,026	247,267	8,737	430,030	-	430,030
Professional fees	37,080	131,728	61,862	230,670	105,627	336,297
Technology	92,430	131,330	4,640	228,400	69,226	297,626
Advertising and sponsorship	-	-	-	-	284,145	284,145
Occupancy	84,393	119,911	4,237	208,541	63,207	271,748
Deferred tax asset write off	-	-	-	-	238,310	238,310
Retirement contribution	48,526	68,949	2,436	119,911	36,344	156,255
Payroll taxes	35,610	50,596	1,788	87,994	26,670	114,664
Bank fees	33,217	47,197	1,668	82,082	24,878	106,960
Other employee benefits	22,790	32,381	1,144	56,315	17,069	73,384
Depreciation	-	-	-	-	34,341	34,341
Recruitment and retention	18,379	-	-	18,379	-	18,379
Miscellaneous	1,031	1,465	52	2,548	7,112	9,660
Travel	2,841	4,036	143	7,020	2,128	9,148
Scholarships	7,000	-	-	7,000	-	7,000
Bad debt	-	-	-	-	5,077	5,077
Supplies and postage	1,328	1,887	67	3,282	995	4,277
Printing and publications	-	-	-	-	409	409
	$ 1,083,721	$ 3,082,260	$ 113,833	$ 4,279,814	$ 1,308,794	$ 5,588,608

See accompanying notes to the consolidated financial statements.

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

Consolidated Statements of Functional Expenses

June 30, 2020	Program Services: Membership and Advocacy	Program Services: Professional Development	Program Services: Self Regulation	Program Services: Total Program Expenses	Supporting Services: Management and General	Total
Salary	$ 636,742	$ 939,691	$ 47,862	$ 1,624,295	$ 435,438	$ 2,059,733
Professional development program expense	-	1,635,162	2,685	1,637,847	-	1,637,847
Professional fees	67,993	249,667	65,640	383,300	49,599	432,899
Advertising and sponsorship	-	-	-	-	355,598	355,598
Marketing	123,164	181,764	9,258	314,186	-	314,186
Occupancy	92,387	136,343	6,944	235,674	63,179	298,853
Technology	83,683	123,497	6,290	213,470	57,226	270,696
Other employee benefits	57,718	85,179	4,339	147,236	39,471	186,707
Payroll taxes	43,972	64,893	3,305	112,170	30,072	142,242
Bank fees	35,521	52,421	2,670	90,612	24,290	114,902
Travel	28,574	42,168	2,148	72,890	19,539	92,429
Retirement contribution	22,079	32,584	1,660	56,323	15,098	71,421
Depreciation	-	-	-	-	47,911	47,911
Printing and publications	-	-	-	-	40,214	40,214
Miscellaneous	8,541	12,604	642	21,787	8,283	30,070
Recruitment and retention	23,809	-	-	23,809	-	23,809
Scholarships	16,500	-	-	16,500	-	16,500
Supplies and postage	4,778	7,051	359	12,188	3,348	15,536
	$ 1,245,461	$ 3,563,024	$ 153,802	$ 4,962,287	$ 1,189,266	$ 6,151,553

See accompanying notes to the consolidated financial statements.

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

Consolidated Statements of Cash Flows

June 30,	**2021**	2020
Cash flows from operating activities:		
Membership dues received	**$ 2,096,227**	$ 2,129,113
Professional development program fees received	**3,178,136**	2,989,325
Other receipts	**533,299**	1,016,346
Interest and dividends received	**40,113**	114,716
Salaries and benefits paid to employees	**(1,904,490)**	(2,641,737)
Cash paid to suppliers	**(3,525,320)**	(3,776,138)
Interest paid on bank loan	**-**	(52)
Net cash and cash equivalents provided by (used in) operating activities	**417,965**	(168,427)
Cash flows from investing activities:		
Proceeds from sale of investments	**459,280**	1,288,619
Purchases of investments	**(1,441,243)**	(819,564)
Proceeds from sale of subsidiary's assets	**1,750,000**	-
Purchases of property, equipment, and software	**(7,362)**	(11,416)
Net cash and cash equivalents provided by investing activities	**760,675**	457,639
Cash flows from financing activity:		
Proceeds from issuance of note payable	**430,615**	-
Principal payments on note payable	**-**	(5,928)
Net cash and cash equivalents provided by (used in) financing activty	**430,615**	(5,928)
Net increase in cash and cash equivalents	**1,609,255**	283,284
Cash and cash equivalents at the beginning of the year	**701,795**	418,511
Cash and cash equivalents at the end of the year	**$ 2,311,050**	$ 701,795

See accompanying notes to the consolidated financial statements.

1. Organization and Summary of Significant Accounting Policies

Organization

The Maryland Association of Certified Public Accountants, Inc. (MACPA or the Association) and its related organizations provide professional development, regulatory, promotional and advocacy services to its members, supporting their efforts to conform to the highest standards of professional service and conduct. Most of the members are Certified Public Accountants practicing in firms or employed by companies, non-profit organizations, schools, or government agencies located in Maryland. MACPA and its related organizations' revenues will be influenced by changes in the profession and the regional economy.

On February 16, 2021, the MACPA's subsidiary, the Business Learning Institute, Inc. (BLI, Inc.), sold substantially all of the assets owned and controlled by it as described in the purchase agreement to the Association of International Certified Professional Accountants for a consideration of $1,750,000 (Note 10). On March 3, 2021, BLI, Inc. changed its legal name to MACPA Learning, Inc.

Principles of Consolidation

These consolidated financial statements include the resources and activities of the MACPA (a nonprofit organization) and its chapters, its wholly-owned for-profit subsidiary, MACPA Learning, Inc., and its affiliated organization Maryland Association of Certified Public Accountants Educational Foundation, Inc. (the Foundation), which have been consolidated in accordance with accounting principles generally accepted in the United States of America. As used herein, the "Association" includes the MACPA, MACPA Learning, Inc., and the Foundation. All material inter-organizational transactions have been eliminated in the consolidation.

Method of Accounting

The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) and are presented on the accrual basis of accounting. Revenues are recognized in the period in which they are earned and expenses are recognized when the obligation is incurred.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from the estimates.

Cash and Cash Equivalents

The Association considers all investment instruments purchased with an original maturity of three months or less and money market accounts to be cash equivalents. The Association maintains cash balances at a financial institution. These balances are secured by the Federal Deposit Insurance Corporation and management believes that there are no significant concentrations of credit risk as a result of maintaining these accounts. At June 30, 2021 and 2020, cash and cash equivalents exceeded federally insured limits by $1,158,723 and $27,585, respectively.

Accounts Receivable

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. Management estimates the net realizable value of accounts receivable by reviewing the Association's detailed accounts receivable, current and past-due. Based upon this review, management estimates the amount that may not be collectible. This estimate is the basis for the allowance for doubtful accounts. The Association's policy is to charge off accounts receivable when management determines the receivables will not be collected. As of June 30, 2021 and 2020, the Association established an allowance for doubtful accounts in the amount of $188 and $12,725, respectively.

Property, Equipment, and Software

Property, equipment, and software, including website development costs in excess of $500 are capitalized and carried at cost. Depreciation and amortization are computed over the estimated useful lives, ranging from 3 to 10 years, 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. Depreciation and amortization expense for the years ended June 30, 2021 and 2020 was $34,341 and $47,911, respectively.

Gifts of long-lived assets such as land, buildings, and equipment are reported as support without donor restriction 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 support with donor restriction. 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.

Impairment of Long-Lived Assets

The Association reviews asset carrying balances annually in addition to whenever events or circumstances indicate that such carrying amounts may not be recoverable. When considered impaired, the carrying amount of the asset is reduced, charged to the consolidated statements of activities, to its current fair value. No impairment loss has been recognized as of June 30, 2021 and 2020.

Investment in Joint Venture

Coastal Peer Review, Inc. (Coastal) is a 501(c)(6) non-profit entity, established by MACPA and the North Carolina Association of CPAs (NCACPA). Coastal administers the AICPA peer review program in Maryland and North Carolina and began operations on January 1, 2021. Coastal is a North Carolina non-profit corporation and is governed by a five-member Board of Directors including MACPA's Chief Executive Officer and NCACPA's Chief Executive Officer. Coastal has one employee on staff, a CPA who oversees the program on a part-time basis. One MACPA staff person and one NCACPA staff person work full-time handling day-to-day peer review administrative duties. MACPA and NCACPA receive reimbursement from Coastal for the two staff members' work. Accounting duties for Coastal are split between the MACPA and NCACPA accounting staffs and are unreimbursed. MACPA's and NCACPA's investment in Coastal is accounted for under the equity method of accounting. MACPA's 50% share of Coastal's net income as of June 30, 2021 is $19,847.

Investments

The Association records investments in marketable securities with readily determinable fair values in the consolidated statements of financial position. Net investment income (including realized and unrealized gains and losses, interest, dividends and investment expenses) is included in operating income. Interest income is measured as earned on the accrual basis. Dividends are measured based on the ex-dividend date. Purchases and sales of securities and realized gains and losses are recorded on a trade-date basis. Investment expenses are recorded when incurred.

Basis of Presentation

Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Association are classified in the following two classes:

- ***Net assets without donor restrictions*** represent funds that are available for support of the operations of the Association, and that are not subject to donor restrictions. Included within net assets without donor restrictions are amounts that have been designated by the Board of Directors. No portion of the Association's net assets were subjected to Board-designation as of June 30, 2021 and 2020.

- ***Net assets with donor restrictions*** consist of contributions that have been restricted by the donor for specific purposes or are time restricted, including contributions that have been restricted by the donor that stipulate the resources maintained in perpetuity, but permit the Association to use or expend part or all of the income derived from the donated assets for either specified or unspecified purposes.

Revenue Recognition

Membership Dues

Membership dues include access to a multitude of benefits. Access to these benefits is voluntary and can occur during the membership period and are treated as part of the membership itself, rather than multiple performance obligations. The Association recognizes revenue over the membership period under the output method, which coincides with the Association's fiscal year. Newer members may start their membership dues at various times during the year. Dues received in advance are deferred until earned.

The MACPA utilizes a hybrid subscription membership dues policy. Members at the time of adoption had the choice of continuing to receive paper dues invoices and pay by check, or, pay by credit card on a monthly or annual basis and have their credit card charged automatically in future months or years. New members must pay by credit card on a monthly or annual basis under the new membership subscription policy. Members whose credit cards fail when an automatic charge is attempted have 30 days to remedy the failed card before the suspension of benefits. Additionally, members who don't resolve failed credit card charges within 30 days will have a break in membership and be placed on a new membership renewal/recognition cycle once the charge is successful.

For membership-based revenue recognized over time, the straight-line method is used to allocate the performance obligations over the performance measurement period. The Association determined that this method provides a faithful depiction of the transfer of goods or services because the customer is required to pay regardless of how frequently the product or membership benefits are used, and the Association stands ready to make its goods or services available to the customer on a constant basis over the contract period.

Based on the members that disclose their age, approximately 70% of the Association's membership dues were received from members age 50 and older for the years ended June 30, 2021 and 2020. Future membership dues revenue could be impacted if the Association is unable to replenish the membership with younger members.

Professional Development Program Fees

Revenue is derived from the Association delivering thought leadership, learning products and services such as in-person events, online learning events and competency-enhancing resources on the online store. Revenue generated from sales of physical products and e-books is recognized when the goods are shipped, or access is granted. Online self-study products are accessed at a point in time. Revenue is recognized upon access. In-person events such as conferences, group study and member service events are recognized when the event occurs. Registration fees received prior to the presentation are deferred until earned.

Self-Regulation Fees

Accounting firms enrolled in the peer review program are assessed annual dues (self-regulating fees) for ongoing administrative costs. Revenue is recognized evenly over the membership period. Fees associated with triennial peer review examinations are recognized when the final report is accepted. The peer review program was administered internally by MACPA through December 31, 2020 and then by Coastal Peer Review, Inc. beginning January 1, 2021. See "Investment in Joint Venture" footnote for additional details.

Advertising and Sponsorships

The Association has contracts with various vendors to provide advertising and promotional services, which may have multiple performance obligations. The Association allocates the transaction price of these contracts based on the fair market value of the individual performance obligations. Revenue is recognized over time or at a point in time depending on the nature of the performance obligations of each specific contract. For all contracts where revenue is recognized over time, management has estimated that services are provided evenly throughout the contract period and are recognized on a straight-line basis over the life of the contract.

Donations

Donations are recognized at fair value on the earlier of the receipt of cash or an unconditional promise to give. Donations received are recorded as increases in net assets without donor restrictions. Amounts received that are designated for a future period, or are restricted by the donor for a specific purpose, are reported as net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions.

Disaggregation of Revenue

The Association's membership dues, self-regulation fees, professional development programs and advertising and sponsorships revenue are recognized over time or at a point in time based on the performance obligations of each contract. Various economic factors affect revenues and cash flows. Substantially all customers are in the United States. Revenue from each source is generally collected within ninety days.

The following table disaggregates the Association's revenue based on the timing of satisfaction of performance obligations for the year ended June 30, 2021:

	Services transferred over time	Services transferred at a point in time	Total
Membership dues	$ 2,030,707	$ -	$ 2,030,707
Self-regulation fees	45,076	56,875	101,951
Professional development programs	-	3,054,920	3,054,920
Advertising and sponsorships	490,269	21,568	511,837
	$ 2,566,052	$ 3,133,363	$ 5,699,415

The following table disaggregates the Association's revenue based on the timing of satisfaction of performance obligations for the year ended June 30, 2020:

	Services transferred over time	Services transferred at a point in time	Total
Membership dues	$ 2,045,473	$ -	$ 2,045,473
Self-regulation fees	68,207	86,060	154,267
Professional development programs	-	3,018,706	3,018,706
Advertising and sponsorships	441,618	34,773	476,391
	$ 2,555,298	$ 3,139,539	$ 5,694,837

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills that would otherwise be purchased by the Association. Volunteers do periodically contribute their time and services to the activities of the Association. However, the value of these donated services is not reflected in these consolidated financial statements as the recognition criteria was not met.

Advertising and Website Costs

Costs incurred in the planning stage of developing a website and costs incurred for website maintenance are expensed as incurred. Costs incurred for website enhancement are generally capitalized and depreciated over the estimated useful life. Costs of advertising and promotional campaigns are expensed as incurred. Advertising costs amounted to $17,951 and $77,897 for the years ended June 30, 2021 and 2020, respectively.

Functional Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the consolidating statements of activities. Consolidated statements of functional expenses include the summation of total operating expenses and deferred tax asset write off. Expenses directly attributable to a specific functional area of the Association are reported as expenses of those functional areas. Direct salaries and benefits are allocated based on the department to which an employee is assigned.

The consolidated financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the Association. Indirect costs include, professional development program expense, professional fees, technology, occupancy, retirement contribution, payroll taxes, bank fees, other employee benefits, miscellaneous, and supplies and postage. Indirect costs have been allocated to their functional area based on annual time and expense studies performed by the Association. General and administrative expenses include those expenses that are not directly identifiable with any specific program function but provide overall support and direction to the Association.

Income Taxes

Under provision of Section 501(c)(6) and 501(c)(3) of the Internal Revenue Code (IRC) and the applicable income tax regulations in the State of Maryland, MACPA and Educational Foundation are exempt from income taxes, except for net income from unrelated business income. There were no significant unrelated business activities for the years ending June 30, 2021 and 2020.

The income of MACPA Learning, Inc. is subject to federal and state income taxes. A provision for income taxes is provided for the tax effects of transactions reported in the financial statements of MACPA Learning, Inc. (a for profit entity) and consist of taxes currently due plus deferred taxes related to operating losses that are available to offset future federal and state income taxes. During the year ended June 30, 2021, MACPA Learning, Inc. wrote off the deferred tax asset as all of its assets were sold to Association of International Certified Professional Accountants (Note 10). There were no taxes due for either of the years ended June 30, 2021 and 2020.

The Association recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Recognized uncertain income tax position ($0 at June 30, 2021 and 2020) are measured at the largest amount that has a greater than 50% likelihood of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgement occurred. The Association is generally no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years ended June 30, 2018 and prior.

Measure of Operations

The accompanying consolidated statements of activities reports all changes in net assets, including change in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Association's ongoing services and net investment income on investments. Nonoperating activities are limited to gain on sale of assets and deferred tax asset write off.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying consolidated financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Recently Adopted Authoritative Guidance

In August 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement*. The update modifies certain disclosure requirements in Topic 820, *Fair Value Measurement*. The guidance was effective for the Association's fiscal year ended June 30, 2021. The Organization adopted the ASU and there was no material impact on its consolidated financial statements.

Recent Accounting Pronouncements Not Yet Adopted

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. This standard relates to leasing for both lessees and lessors. The new standard establishes a right-of-use (ROU) model that requires a lease to record a ROU asset and a lease liability on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. This standard was updated in 2018, 2019, and 2020 with the last update deferring the effective date for private companies and certain not-for-profit entities to fiscal years beginning after December 15, 2021. Management is currently evaluating the impact of this ASU on its consolidated financial statements.

In June 2016, the FASB issued ASU 2016-03, *Financial Instruments – Credit Losses*. This ASU was issued to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by an entity. The ASU changes the impairment model for most financial assets that are measured at amortized cost and certain other instruments from an incurred loss model to an expected loss model. Entities will be required to estimate credit losses over the entire contractual term of an instrument. The ASU includes financial assets recorded at amortized cost basis such as loan receivables, trade and certain other receivables as well as certain off-balance sheet credit exposures such as loan commitments and financial guarantees. The ASU does not apply to financial assets measured at fair value, promises to give (pledges receivable) and loans receivable between entities under common control. The ASU is effective for the Organization's consolidated financial statements for the fiscal year ending June 30, 2024. Management is currently evaluating the impact of this ASU on its consolidated financial statements.

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU requires nonprofits to present contributed nonfinancial assets prominently and to enhance disclosures about the valuation of those contributions and their use in program and other activities. The guidance is effective for the Organization's year ending June 30, 2022. Management is currently evaluating the impact of this ASU on its consolidated financial statements.

2. Investments and Fair Value Measurements

The MACPA and the Foundation maintain reserve funds invested in marketable securities with the goals of preservation of capital and purchasing power.

The Association presents its financial assets and liabilities required to be measured at fair value on a recurring basis by the *Fair Value Measurements and Disclosures* Topic of FASB ASC (820) using the following hierarchy:

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.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no change in methodologies used at June 30, 2021 and 2020.

Fixed Income Securities

The investments classified as Level 1 are valued at the quoted prices in active markets for identical assets. The investments classified as Level 2 are valued by pricing vendors using outside data. In determining fair value of the investments, the pricing vendors use a market approach and pricing spreads based on credit risk of the issuer, maturity, current yield, and other terms and conditions of each security. Management believes the estimated fair value to be a reasonable approximation of the exit price for these investments.

Equity Securities

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

Mutual Funds

Mutual funds are valued at quoted market prices in an exchange and active market.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Association believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth by level, within the fair value hierarchy, the Association's investment assets at fair value as of June 30, 2021 and 2020. Classification within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

	As of June 30, 2021			
		Fair Value Hierarchy Level		
Description	Total	Level 1	Level 2	Level 3
Fixed income securities	$ 390,196	$ 209,026	$ 181,170	$ -
Equity securities	2,013,654	2,013,654	-	-
Mutual funds	506,086	506,086	-	-
	$ 2,909,936	$ 2,728,766	$ 181,170	$ -

	As of June 30, 2020			
		Fair Value Hierarchy Level		
Description	Total	Level 1	Level 2	Level 3
Fixed income securities	$ 364,926	$ 364,926	$ -	$ -
Equity securities	727,570	727,570	-	-
Mutual funds	461,706	461,706	-	-
	$ 1,554,202	$ 1,554,202	$ -	$ -

Fixed income securities and a money market account with a total value of $1,667,838 and $893,488 at June 30, 2021 and 2020, respectively, are pledged to secure the bank line of credit up to the total available balance of the line of credit described in Note 8.

3. Income Taxes

The Internal Revenue Service has determined that the MACPA is exempt from federal income tax under Section 501(c)(6) and that the Foundation is exempt from federal income taxes under Section 501(c)(3). The income of MACPA Learning, Inc. is subject to federal and state income taxes.

The provisions for income taxes consists of the following for the years ended June 30, 2021 and 2020:

	2021	2020
Deferred benefit		
Federal	$ -	$ 179,392
State	-	54,293
		233,685
Provision for deferred tax allowance	-	(233,685)
Deferred benefit, net	$ -	$ -

The Association's total deferred tax assets as of June 30, 2021 and 2020 were as follows:

	2021	2020
Deferred benefit		
Federal	$ -	$ 425,757
State	-	139,092
	-	564,849
Less: valuation allowance	-	326,539
Deferred tax asset, net	$ -	$ 238,310

As of June 30, 2021, MACPA Learning, Inc. had no remaining net operating loss carryforwards.

4. Lease Commitments

During 2014, the Association amended their lease agreement for office space in Dulaney Center in Towson, Maryland. The lease is payable in monthly installments of $14,693 with a 2.75% annual increase through December 2024. As a result of the amendment, the Association was provided rent abatement for the first six months of the lease.

The lease agreement also requires payments based upon the landlords' costs of insurance, real estate taxes, and operating expenses. Rent expenses, including executory costs, totaled $208,275 and $207,809 for the years ended June 30, 2021 and 2020, respectively.

Due to annual escalation clauses and rent abatement, rent expense is calculated under the straight-line method in accordance with generally accepted accounting principles. Deferred rent in the amount of $95,071 and $109,185 has been recorded to reflect the difference between rent calculated under the straight-line method and the amount of rent actually due for the years ended June 30, 2021 and 2020, respectively.

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

Year Ending June 30,		
2022	$	211,767
2023		217,591
2024		223,575
2025		114,088
	$	767,021

5. Retirement Plan

The Association has a retirement plan that qualifies under section 401(k) of the Internal Revenue Code. The plan covers employees who have attained the age of 21 and have completed one year of service. The Plan is a safe harbor plan that includes a safe harbor contribution and a profit sharing contribution that is vested over six years.

The plan is funded in the following ways:

- Safe-harbor non-elective contributions made by the Association equal to 3% of participant's compensation.
- Profit sharing contributions made by the Association to all eligible participants at a rate determined by the Board of Directors. Profit sharing contribution rates for the years ended June 30, 2021 and 2020 were 3% and 3%, respectively.
- Discretionary participant contributions made by individual employees.
- The Association pays a match of 25 cents on every dollar of employee contributions. Employee contributions of up to 4% of annual compensation are eligible for a match for a maximum Association payment of 1% of an employee's annual compensation.

Retirement plan expenses totaled $168,493 and $76,566 for the years ended June 30, 2021 and 2020, respectively. These amounts were accrued and are included in accounts payable and accrued expenses on the consolidated statements of financial position as of June 30, 2021 and 2020, respectively.

6. Educational Foundation

The Foundation is a public charitable and educational organization as described under Section 501(c)(3) of the Internal Revenue Code and it is an affiliated entity of MACPA in which the activities are included in consolidated financial statements. 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 as well as various pipeline, diversity, and inclusion initiatives. The MACPA made no contributions to the Foundation for the years ended June 30, 2021 and 2020.

7. Endowment Fund

The Foundation's endowment consists of one named scholarship fund to provide scholarships for minority and/or women students. The FASB Codification defines an endowment as an established fund of cash, securities, or other assets to provide income for the maintenance of a not-for-profit organization. Management has interpreted the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) as requiring the preservation of the fair value of original contributions with donor restrictions as of the date of the gift absent explicit donor stipulations to the contrary. As a result of this interpretation of the State of Delaware Act, the Association classifies as net assets with donor restrictions (a) the original value of contributions with donor restrictions, (b) the discounted value of future contributions with donor restrictions, net of allowance for uncollectible pledges, and (c) the remaining portion of contributions with donor restrictions. They are classified as such until those amounts are prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate contributions with donor restrictions.

- The purposes of the endowment fund
- The duration and preservation of the fund
- General economic conditions
- The possible effects of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other available financial resources
- Investment policies

Return Objectives and Risk Parameters

The Foundation has adopted an investment policy for endowment assets that attempts to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain purchasing power of the endowment assets. Endowment assets consist of donor-restricted funds that the Foundation must hold in perpetuity. The assets are invested with the expectation to provide an average annual rate of return of approximately 4 percent over time. Actual returns in any given year may vary from this amount.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a policy of maintaining a full historical value of the principal of the endowment fund. Income earned on the principal is to be spent in its entirety for scholarships. The endowment funds are currently invested in mutual funds with a target asset allocation, plus or minus 5 percent, of 65 percent equities and 35 percent fixed income securities. Net assets with donor restrictions is composed solely from the endowment assets. The changes in endowment net assets for the years ended June 30, 2021 and 2020 are as follows:

	Purpose Restricted	Endowment Fund	Total
Endowment net assets, June 30, 2019	$ 5,303	$ 35,000	$ 40,303
Investment loss	(761)	-	(761)
Expenditures	(1,000)	-	(1,000)
Endowment net assets, June 30, 2020	3,542	35,000	38,542
Investment gain	10,807	-	10,807
Expenditures	(848)	-	(848)
Endowment net assets, June 30, 2021	$ 13,501	$ 35,000	$ 48,501

Income earned on investments in endowment is reported in the accompanying consolidated statements of activities as increases in net assets without donor restrictions or net assets with donor restrictions, depending on the nature of donor-imposed restrictions on such earnings.

The Foundation considers an endowment fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Foundation has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. The Foundation has no underwater endowment funds as of the years ended June 30, 2021 and 2020.

8. Line of Credit

The Association may borrow up to $200,000 under terms of a revolving line of credit with a financial institution. The line bears interest at the bank's prime rate and is secured by an investment account described in Note 2. There was no outstanding balance on the line of credit as of June 30, 2021 and 2020.

9. Note Payable

The Association has a note payable in the amount of $200,000 that was used to finance equipment purchases for office renovations. The note is payable in 57 monthly payments of $3,795 beginning in December 2014. The note shall bear interest at prime for the first three months and then convert to a fixed rate of 3.93%. The Association repaid the note payable in full during the year ended June 30, 2020.

During the year ended June 30, 2021, MACPA received loan proceeds in the amount of $430,615 under the Paycheck Protection Program ("PPP") of the Coronavirus Aid Relief and Economic Security (CARES) Act, which was enacted March 27, 2020. The PPP loan is evidenced by a promissory note in favor of a financial institution (the Lender), which bore interest at the rate of 1.00% per annum. No payments of principal or interest were due under the note until the date on which the amount of loan forgiveness (if any) under the CARES Act, which could be up to 10 months after the end of the related notes covered period (which is defined as 24 weeks after the date of the loan) (the "Deferral Period"). The note could be prepaid at any time prior to maturity with no prepayment penalties.

Funds from the PPP loan were to be used only for payroll and related costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations that were incurred prior to February 16, 2021 (the "Qualifying Expenses"). The entire loan balance was forgiven on April 26, 2022.

10. Sale of Subsidiary's Assets

On February 16, 2021, the Maryland Association of Certified Public Accountants, Inc. sold substantially all of the assets owned or controlled and used in the operations of its wholly-owned subsidiary, the Business Learning institute, inc. to the Association of International Certified Professional Accountants (AICPA). As consideration for the sale, the AICPA assumed deferred revenue liabilities and paid MACPA $1,750,000. In addition, MACPA will receive revenue sharing payments based on Maryland sales of AICPA products not to exceed $750,000. During the year ended

June 30, 2021, MACPA recognized revenue sharing income of $117,217. After the sale, the Business Learning Institute, inc. was re-named MACPA Learning, Inc.

11. Liquidity and Availability of Resources

The following reflects the Association's financial assets available within one year of consolidated statements of financial position date for general expenditures as of June 30:

		2021		2020
Financial assets at year-end:				
Cash and cash equivalents	**$**	**2,311,050**	$	701,795
Accounts receivable, net		**531,050**		558,314
Investments		**2,909,936**		1,554,202
Total financial assets		**5,752,036**		2,814,311
Less those unavailable for general expenditure within one year due to donor restrictions:				
Purpose restricted		**(13,501)**		(3,542)
Investments that secure the line of credit		**(200,000)**		(200,000)
Endowment funds		**(35,000)**		(35,000)
Financial assets not available to be used within one year		**(248,501)**		(238,542)
Financial assets available to meet cash needs for general expenditures within one year	**$**	**5,503,535**	$	2,575,769

As part of the Association's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Association invests cash in excess of daily requirements in fixed income and equity securities which amounted to $2,874,936 and $1,519,202 as of June 30, 2021 and 2020, respectively. Additionally, the Association has a $200,000 line of credit, as discussed in Note 8. As of June 30, 2021 and 2020, $200,000 remained available on the Association's line of credit.

12. COVID-19 and CARES Act

On January 30, 2020, the Director-General of the World Health Organization (WHO) declared the novel coronavirus outbreak a public health emergency of international concern, WHO's highest level of alarm. On March 11, 2020, the WHO declared the novel coronavirus a global pandemic.

While there has been progress in developing and distributing COVID-19 vaccines, there continues to be uncertainty around the breadth and duration of the business disruption globally, as well as its impact on the global economy. Nonetheless, the Association will continue to monitor the financial and business implications of the pandemic on its operations and will implement new strategies as appropriate. See Note 11 for information regarding the Association's liquidity and availability of resources.

13. Subsequent Events

In April 2022, the Association received a notice from the lender and the Small Business Administration that their PPP loan in the amount of $430,615 had been fully forgiven.

Management has evaluated events and transactions subsequent to the consolidated statement of financial position date for potential recognition or disclosure through May 19, 2022, the date the consolidated financial statements were available to be issued. There were no other events that required recognition or disclosure in the consolidated financial statements.