

Audited Financial Statements

The Michigan Association of
Certified Public Accountants

*Years Ended March 31, 2018 and 2017
with Report of Independent Auditors*

The Michigan Association of
Certified Public Accountants

Audited Financial Statements

Years Ended March 31, 2018 and 2017

Contents

Report of Independent Auditors.....	1
Statements of Financial Position.....	3
Statements of Activities	4
Statements of Functional Revenue and Expenses.....	5
Statements of Cash Flows.....	7
Notes to Financial Statements.....	8

Report of Independent Auditors

Board of Directors
The Michigan Association of Certified
Public Accountants

We have audited the accompanying financial statements of the Michigan Association of Certified Public Accountants, which comprise the statements of financial position as of March 31, 2018 and 2017, and the related statements of activities, functional revenue and expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Michigan Association of Certified Public Accountants as of March 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Andrews Hooper Pavlik PLC

Okemos, Michigan
August 8, 2018

The Michigan Association of Certified Public Accountants

Statements of Financial Position

	March 31	
	2018	2017
Assets		
Cash and cash equivalents	\$ 65,125	\$ 311,359
Accounts receivable (less allowance for doubtful accounts of \$15,000)	136,706	170,084
Deferred costs and prepaid expenses	265,968	238,141
Investments	4,167,916	3,703,163
Furniture, equipment, and leasehold improvements, net	871,810	789,100
Total assets	<u>\$ 5,507,525</u>	<u>\$ 5,211,847</u>
 Liabilities and Net Assets		
Accounts payable	\$ 181,550	\$ 208,799
Accrued compensation and withheld payroll taxes	123,782	102,282
Accrued other liabilities	388,353	363,410
Commercial card program liability	60,000	-
Unearned program revenue	616,085	644,837
Unearned membership dues	765,161	759,968
Capital lease payable	231,868	41,634
Total liabilities	<u>2,366,799</u>	<u>2,120,930</u>
Net assets – unrestricted	<u>3,140,726</u>	<u>3,090,917</u>
Total liabilities and net assets	<u>\$ 5,507,525</u>	<u>\$ 5,211,847</u>

See accompanying notes.

The Michigan Association of Certified Public Accountants

Statements of Activities

	Year Ended March 31	
	2018	2017
Operating Revenue		
Continuing professional education and development	\$ 3,931,669	\$ 3,682,721
Dues	3,086,960	3,047,821
Peer review services	359,818	408,460
Member services	164,713	209,769
Interest and dividend income	140,082	75,186
Grant	234,183	151,712
Other	109,069	75,831
	<hr/>	<hr/>
Total operating revenue	8,026,494	7,651,500
Operating Expenses		
Program services:		
Professional education and development	3,391,216	3,250,070
Membership services, recruitment, and retention	1,609,296	1,327,734
Peer review services	275,682	285,745
Community outreach	79,940	99,015
Supporting activities – general management and technology	2,917,914	2,653,020
	<hr/>	<hr/>
Total operating expenses	8,274,048	7,615,584
Excess of operating revenue over (under) expenses	(247,554)	35,916
Other Revenue and Expenses		
Realized and unrealized gains on investments, net	297,363	359,397
	<hr/>	<hr/>
Change in unrestricted net assets	49,809	395,313
Unrestricted net assets, beginning of year	3,090,917	2,695,604
Unrestricted net assets, end of year	<u>\$ 3,140,726</u>	<u>\$ 3,090,917</u>

See accompanying notes.

The Michigan Association of Certified Public Accountants

Statement of Functional Revenue and Expenses

Year Ended March 31, 2018

	Professional Education and Peer Development	Review Services	Membership Services	Community Outreach	General Management and Technology	Total
Operating Revenue						
Continuing professional education and development	\$ 3,931,669	\$ -	\$ -	\$ -	\$ -	\$ 3,931,669
Dues	-	-	3,086,960	-	-	3,086,960
Peer review services	-	359,818	-	-	-	359,818
Member services	-	-	164,713	-	-	164,713
Interest and dividend income	-	-	-	-	140,082	140,082
Grant	-	-	-	-	234,183	234,183
Other	-	-	-	60,343	48,726	109,069
Total operating revenue	<u>3,931,669</u>	<u>359,818</u>	<u>3,251,673</u>	<u>60,343</u>	<u>422,991</u>	<u>8,026,494</u>
Operating Expenses						
Salaries and wages	756,757	129,655	820,727	10,542	1,219,529	2,937,210
Benefits	91,110	25,851	94,464	469	148,522	360,416
Payroll taxes	63,535	10,544	68,720	890	90,074	233,763
Total salaries and related expenses	<u>911,402</u>	<u>166,050</u>	<u>983,911</u>	<u>11,901</u>	<u>1,458,125</u>	<u>3,531,389</u>
Professional fees	343,296	82,852	249,411	-	194,232	869,791
Presenter fees	722,398	2,090	4,092	-	-	728,580
Supplies	92,755	425	38,575	-	82,399	214,154
Communication	10,258	495	6,051	-	71,467	88,271
Marketing	216,469	2,899	42,800	-	20,248	282,416
Occupancy	-	-	-	-	316,317	316,317
Dues and subscriptions	9,076	285	13,206	-	29,569	52,136
Equipment	-	-	-	-	201,217	201,217
Transportation	182,892	9,668	56,020	-	37,936	286,516
Meetings	853,750	6,230	147,633	68,039	60,660	1,136,312
Other	48,920	4,688	67,597	-	67,414	188,619
Depreciation and loss on disposal	-	-	-	-	378,330	378,330
Total operating expenses	<u>3,391,216</u>	<u>275,682</u>	<u>1,609,296</u>	<u>79,940</u>	<u>2,917,914</u>	<u>8,274,048</u>
Excess of operating revenue over (under) expenses	540,453	84,136	1,642,377	(19,597)	(2,494,923)	(247,554)
Other Revenue and Expenses						
Realized and unrealized gains on investments, net	-	-	-	-	297,363	297,363
Change in unrestricted net assets	<u>\$ 540,453</u>	<u>\$ 84,136</u>	<u>\$ 1,642,377</u>	<u>\$ (19,597)</u>	<u>\$ (2,197,560)</u>	<u>\$ 49,809</u>

See accompanying notes.

The Michigan Association of Certified Public Accountants

Statement of Functional Revenue and Expenses

Year Ended March 31, 2017

	Professional Education and Peer Development	Review Services	Membership Services	Community Outreach	General Management and Technology	Total
Operating Revenue						
Continuing professional education and development	\$ 3,682,721	\$ -	\$ -	\$ -	\$ -	\$ 3,682,721
Dues	-	-	3,047,821	-	-	3,047,821
Peer review services	-	408,460	-	-	-	408,460
Member services	-	-	209,769	-	-	209,769
Interest and dividend income	-	-	-	-	75,186	75,186
Grant	-	-	-	-	151,712	151,712
Other	-	-	-	62,282	13,549	75,831
Total operating revenue	3,682,721	408,460	3,257,590	62,282	240,447	7,651,500
Operating Expenses						
Salaries and wages	795,224	132,475	614,500	19,330	1,062,553	2,624,082
Benefits	100,036	26,464	62,549	543	139,565	329,157
Taxes	65,582	10,839	52,472	1,595	79,992	210,480
Total salaries and related expenses	960,842	169,778	729,521	21,468	1,282,110	3,163,719
Professional fees	279,291	94,615	195,529	-	221,368	790,803
Presenter fees	692,030	4,526	6,346	-	-	702,902
Supplies	86,716	282	36,178	-	72,078	195,254
Communication	10,581	419	5,998	-	48,877	65,875
Marketing	202,129	5,457	51,180	139	11,847	270,752
Occupancy	-	-	-	-	328,366	328,366
Dues and subscriptions	4,895	752	9,374	-	22,103	37,124
Equipment	-	-	-	-	206,726	206,726
Transportation	180,113	5,808	51,250	48	30,431	267,650
Meetings	784,958	3,919	138,870	77,360	63,377	1,068,484
Other	48,515	189	103,488	-	90,597	242,789
Depreciation	-	-	-	-	275,140	275,140
Total operating expenses	3,250,070	285,745	1,327,734	99,015	2,653,020	7,615,584
Excess of operating revenue over (under) expenses	432,651	122,715	1,929,856	(36,733)	(2,412,573)	35,916
Other Revenue and Expenses						
Realized and unrealized gains on investments, net	-	-	-	-	359,397	359,397
Change in unrestricted net assets	\$ 432,651	\$ 122,715	\$ 1,929,856	\$ (36,733)	\$ (2,053,176)	\$ 395,313

See accompanying notes.

The Michigan Association of Certified Public Accountants

Statements of Cash Flows

	Year Ended March 31	
	2018	2017
Operating Activities		
Change in unrestricted net assets	\$ 49,809	\$ 395,313
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Loss on capital lease termination	1,602	-
Depreciation and amortization	377,461	275,140
Realized and unrealized gains on investments	(297,363)	(359,397)
Loss on disposal of fixed assets	869	-
Changes in operating assets and liabilities:		
Accounts receivable	33,378	193,997
Deferred costs and prepaid expenses	(27,827)	(30,113)
Accounts payable	(27,249)	54,203
Accrued liabilities	46,443	(36,672)
Unearned revenue	(23,559)	(77,219)
Net cash provided by operating activities	<u>133,564</u>	<u>415,252</u>
Investing Activities		
Payments for purchase of furniture, equipment, and leasehold improvements	(221,597)	(308,079)
Payments for investments	(3,197,839)	(988,464)
Proceeds from the sale or maturity of investments	3,030,449	904,011
Net cash used in investing activities	<u>(388,987)</u>	<u>(392,532)</u>
Financing Activities		
Payments on capital lease	(50,811)	(40,446)
Net changes in commercial card program liability	60,000	-
Net cash provided by (used in) financing activities	<u>9,189</u>	<u>(40,446)</u>
Net change in cash and cash equivalents	(246,234)	(17,726)
Cash and cash equivalents at beginning of year	311,359	329,085
Cash and cash equivalents at end of year	<u>\$ 65,125</u>	<u>\$ 311,359</u>
Supplemental cash flow information		
Cash paid for interest	\$ 4,123	\$ 1,846
Cash paid for taxes	15,892	16,882
Noncash investing and financing transactions:		
Equipment acquired by capital lease	268,937	-
Equipment disposed in capital lease termination	29,494	-

See accompanying notes.

The Michigan Association of Certified Public Accountants

Notes to Financial Statements

March 31, 2018

1. Nature of Activities and Summary of Significant Accounting Policies

Nature of Business

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

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

Accounting Method

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

Net Assets

Net assets of the Association are classified as follows:

Unrestricted Net Assets – net assets that are not subject to “donor-imposed” restrictions. Under a Board approved formula, a certain amount of unrestricted net assets may be designated for possible future projects.

Temporarily Restricted Net Assets – net assets subject to “donor-imposed” restrictions that may or will be met by actions of the Association and/or the passage of time. Items that affect this net asset category are restricted contributions and grants. The Association did not have any temporarily restricted net assets as of March 31, 2018 or 2017.

The Michigan Association of Certified Public Accountants

Notes to Financial Statements

March 31, 2018

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

Net Assets (continued)

Permanently Restricted Net Assets – net assets subject to “donor-imposed” restrictions that they be maintained in perpetuity. The Association did not have any permanently restricted net assets as of March 31, 2018 or 2017.

Cash and Cash Equivalents

For the purpose of the statements of cash flows, the Association considers temporarily invested sweep account balances to be cash equivalents. Included in cash equivalents as of March 31, 2018 are two account balances with one bank totaling \$85,824 (\$378,199 as of March 31, 2017). At times, the Association’s cash exceeds the current insured amount under Federal Deposit Insurance Corporation (FDIC) protection.

Concentration of Credit Risk

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

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

Accounts Receivable

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

The Michigan Association of Certified Public Accountants

Notes to Financial Statements

March 31, 2018

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

Furniture, Equipment, and Leasehold Improvements

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

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

Revenue Recognition

Membership dues are recognized as revenue in the applicable membership period. Unearned other revenue includes AICPA Peer Review program administration fees, education program fees, and sponsorship fees received in advance of the period to which they are related. AICPA Peer Review program administration fees are amortized to income in equal monthly amounts over the calendar year.

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

	<u>2018</u>	<u>2017</u>
Peer review program administration fees	\$ 205,718	\$ 195,132
Continuing professional education fees	170,928	199,276
Business development and other programs	239,439	250,429
Total	<u>\$ 616,085</u>	<u>\$ 644,837</u>

Reclassifications

Certain items have been reclassified to be consistent with the current year's presentation.

The Michigan Association of Certified Public Accountants

Notes to Financial Statements

March 31, 2018

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

Contributed Services

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

Functional Allocation of Expenses

Salaries, related personnel expenses, and certain other identifiable expenses are charged directly to major business activities. The costs of providing various programs and activities have been summarized on a functional basis in the statement of activities and in the statement of functional revenue and expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising and Promotions

The costs of advertising and promotions, which are expensed as incurred, amounted to \$36,505 for the year ended March 31, 2018, and \$17,002 for the year ended March 31, 2017.

Subsequent Events

The Association has evaluated events and transactions for potential recognition or disclosure through August 8, 2018, which is the date the financial statements were available to be issued.

Income Taxes

The Association is an organization exempt from income tax under Section 501(c)(6) of the Internal Revenue Code. Certain income of the Association, however, is subject to taxation. The Association is also subject to a proxy tax on certain legislative activities. The proxy tax was approximately \$12,000 for the year ended March 31, 2018, and approximately \$16,000 for the year ended March 31, 2017.

The Michigan Association of Certified Public Accountants

Notes to Financial Statements

March 31, 2018

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

Income Taxes (continued)

The Association's U.S. Federal income tax returns prior to fiscal year 2015 are closed and management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law, and new authoritative rulings. The Association does not believe that the results from any examination of open years would have a material adverse effect on the Association.

As of March 31, 2018 and 2017, the Association did not recognize any interest and penalties associated with tax matters.

2. Investments

Investments were recorded at fair market value and totaled \$4,167,916 as of March 31, 2018, and \$3,703,163 as of March 31, 2017.

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

Recorded investment balances include cash held by one bank in the amount of \$9,363 as of March 31, 2018, and \$30,550 as of March 31, 2017.

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

The Michigan Association of Certified Public Accountants

Notes to Financial Statements

March 31, 2018

3. Fair Value Measurements

The Association values its financial assets and liabilities in accordance with the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

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

Level 2 – Inputs to the valuation methodology include:

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

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

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement. The Association's Level 3 annuity investment's fair value is based upon the contract value reported by the insurance company, which approximates fair value.

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.

Financial assets and liabilities carried at fair value as of March 31, 2018 and 2017 are classified in the following tables in one of the three categories described above.

The Michigan Association of Certified Public Accountants

Notes to Financial Statements

March 31, 2018

3. Fair Value Measurements (continued)

As of March 31, 2018	Level 1	Level 2	Level 3	Total
<u>Fixed Income</u>	\$ 355,268	\$ -	\$ -	\$ 355,268
<u>Traditional Equity</u>				
Large Cap	1,027,545	-	-	1,027,545
Mid Cap	145,780	-	-	145,780
Small Cap	146,132	-	-	146,132
International	1,174,692	-	-	1,174,692
Emerging Markets	353,684	-	-	353,684
	<u>2,847,833</u>	-	-	<u>2,847,833</u>
<u>Global/Flexible</u>	636,185	-	-	636,185
<u>Zurich Z54 Annuity</u>	-	-	319,267	319,267
Total investments	<u>\$ 3,839,286</u>	\$ -	\$ 319,267	\$ <u>4,158,553</u>
Morgan Stanley Bank (Cash)				9,363
Total				<u>\$ 4,167,916</u>
As of March 31, 2017	Level 1	Level 2	Level 3	Total
<u>Fixed Income</u>	\$ 294,421	\$ -	\$ -	\$ 294,421
<u>Traditional Equity</u>				
Large Cap	1,065,490	-	-	1,065,490
Mid Cap	185,248	-	-	185,248
Small Cap	154,460	-	-	154,460
International	867,983	-	-	867,983
Emerging Markets	315,557	-	-	315,557
	<u>2,588,738</u>	-	-	<u>2,588,738</u>
<u>Global/Flexible</u>	514,914	-	-	514,914
<u>Zurich Z54 Annuity</u>	-	-	274,540	274,540
Total investments	<u>\$ 3,398,073</u>	\$ -	\$ 274,540	\$ <u>3,672,613</u>
Morgan Stanley Bank (Cash)				30,550
Total				<u>\$ 3,703,163</u>

The Michigan Association of Certified Public Accountants

Notes to Financial Statements

March 31, 2018

3. Fair Value Measurements (continued)

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

	2018	2017
Beginning balance	\$ 274,540	\$ 250,291
Deposits from payroll withholdings	24,600	3,000
Unrealized gain	20,127	21,249
Ending balance	<u>\$ 319,267</u>	<u>\$ 274,540</u>

4. Furniture, Equipment, and Leasehold Improvements

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

	2018	2017
Furniture	\$ 360,007	\$ 358,437
Technology	892,365	844,469
Website/software development	1,340,772	1,191,409
Leasehold improvements	220,403	220,403
Equipment under capital lease	268,937	196,619
Total	<u>3,082,484</u>	<u>2,811,337</u>
Accumulated depreciation and amortization	<u>2,210,674</u>	<u>2,022,237</u>
Furniture, equipment, and leasehold improvements, net	<u>\$ 871,810</u>	<u>\$ 789,100</u>

Technology includes computer equipment, software, and the website. Depreciation and amortization was \$377,461 for the year ended March 31, 2018, and \$275,140 for the year ended March 31, 2017.

5. Commercial Card Program and Bank Line of Credit

As of March 31, 2018, the Association had available a commercial credit card program up to a maximum of \$90,000 that is non-revolving. Payment in full is due the 15th day of each month and interest charges and rate are not applicable if paid in full by the due date. There was \$60,000 outstanding on the commercial credit card program as of March 31, 2018.

As of March 31, 2017, the Association had an available bank line of credit under which it could borrow up to a maximum of \$600,000 at a fixed interest rate of 3.4% for working capital and operating expenses. The line of credit was collateralized by investments of the Association. There was no outstanding balance as of March 31, 2017. This line of credit is not in effect as of March 31, 2018.

The Michigan Association of Certified Public Accountants

Notes to Financial Statements

March 31, 2018

5. Commercial Card Program and Bank Line of Credit (continued)

Subsequent to March 31, 2018, the Association entered into a bank line of credit under which it can borrow up to a maximum of \$600,000 for working capital and operating expenses at an interest rate of 3.0% above the otherwise Applicable Interest Rate as a result of any change in LIBOR. The line of credit is collateralized by investments of the Association.

6. Retirement Plans

The Association has a safe harbor 401(k) plan which is available to all eligible employees. Under the safe harbor plan, a nonelective 3% contribution is made for eligible employees. This plan also allows a 9% contribution to be made for a highly compensated employee. The expense for the year ended March 31, 2018 was approximately \$88,000 and approximately \$84,500 for the year ended March 31, 2017.

The Association has also made available a 457(b) plan to a select group of management employees. Deferral to this plan is from base salary. All contributed amounts remain the property of the Association and are subject to claims of the Association's creditors in the event of insolvency. Deferred funds held by the Association are adjusted for earnings and losses according to the performance of the investment. Distribution of these funds is allowed only after separation of employment. The deferred amount due to an employee upon separation of employment as of March 31, 2018 was \$319,267 and \$274,540 as of March 31, 2017, which has been included in accrued other liabilities.

7. Lease Commitments

The Association occupies 12,621 square feet in leased facilities located in Troy, Michigan. The total amount of the base rent payments is being charged to expense using the straight-line method over the lease terms. The accumulated result of using the straight line method of expensing rent in excess of actual rental payments amounted to \$32,882 as of March 31, 2018, and \$45,700 as of March 31, 2017 and has been included in accrued other liabilities in the accompanying statements of financial position.

Minimum rental cash commitments by fiscal year on this lease are as follows:

2019	\$ 281,588
2020	<u>214,741</u>
Total	<u>\$ 496,329</u>

The facility lease expense was approximately \$264,800 for the years ended March 31, 2018 and 2017.

The Michigan Association of Certified Public Accountants

Notes to Financial Statements

March 31, 2018

7. Lease Commitments (continued)

As of March 31, 2018, the Association leases copiers and a Duplo cutting machine under a capital lease. Accumulated amortization as of March 31, 2018 includes \$40,365 related to these leased assets and depreciation expense for the year ended March 31, 2018 includes \$40,365 related to these leased assets.

As of March 31, 2017, the Association leased three copiers under a capital lease. Accumulated amortization as of March 31, 2017 included \$157,295 related to these leased copiers and depreciation expense for the year ended March 31, 2017 included \$39,324 related to these leased copiers. This agreement terminated during the year ended March 31, 2018.

The following is a schedule of the future minimum lease payments by fiscal year under the capital lease with the present value of the net minimum lease payments as of March 31, 2018:

	2019	\$	56,545
	2020		56,545
	2021		56,545
	2022		56,545
	2023		15,871
	Total minimum lease payments		242,051
	Amount representing interest		(10,183)
	Present value of minimum lease payments	\$	231,868

8. Related Party Transactions

Michigan Accountancy Foundation

The Michigan Accountancy Foundation's (Foundation) mission is to encourage excellence in the public accounting profession by supporting accounting education. The Foundation's financial statements are not combined with those of the Association. The Association provides general and administrative services to the Foundation. Amounts billed to the Foundation for general and administrative services were \$60,343 for the year ended March 31, 2018, and \$62,282 for the year ended March 31, 2017. In addition, the Association made unrestricted contributions to the Foundation of \$52,697 for the year ended March 31, 2018, and \$54,435 for the year ended March 31, 2017. Unrestricted funding is used by the Foundation to award scholarships to accounting students completing their fifth year of education.

Other

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