Florida Institute of Certified Public Accountants

FLORIDA INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS AND
FLORIDA INSTITUTE OF ACCOUNTANTS, INC. AND SUBSIDIARY
Consolidated Financial Statements
June 30, 2018 and 2017
With Independent Auditors' Report

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AUDIT TAX ADVISORY

Florida Institute of Certified Public Accountants and
Florida Institute of Accountants, Inc. and Subsidiary
June 30, 2018 and 2017

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Florida Institute of Certified Public Accountants and
Florida Institute of Accountants, Inc.
Tallahassee, Florida

Report on Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the Florida Institute of Certified Public Accountants and Florida Institute of Accountants, Inc. and Subsidiary (the "Institute"), which comprise the consolidated statements of financial position as of June 30, 2018 and 2017, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 the consolidated 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 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Institute's preparation and fair presentation of the consolidated 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 Institute'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 consolidated financial statements.

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

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AN INDEPENDENT MEMBER OF HLB - THE GLOBAL ADVISORY AND ACCOUNTING NETWORK

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Florida Institute of Certified Public Accountants and Florida Institute of Accountants, Inc. and Subsidiary as of June 30, 2018 and 2017, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating schedules of financial position, activities, and expenses as of and for the years ended June 30, 2018 and 2017, are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

WithumSmith+Brown, PC

December 7, 2018

Florida Institute of Certified Public Accountants and Florida Institute of Accountants, Inc. and Subsidiary
Consolidated Statements of Financial Position
June 30, 2018 and 2017

	2018	2017
Assets		
Current assets		
Cash and cash equivalents	$ 603,736	$ 3,155,044
Accounts receivable and accrued income	230,264	132,787
Prepaid expenses	312,475	198,962
Total current assets	1,146,475	3,486,793
Investments	11,205,215	11,385,062
Property and equipment, net	803,358	338,783
Other assets, net	24,285	-
Total assets	$ 13,179,333	$ 15,210,638
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	$ 885,036	$ 826,713
Revenues received in advance		
Membership dues	-	2,691,707
Continuing professional education fees	118,739	180,371
Other	45,430	84,697
Deferred gain on sale-leaseback	-	128,318
Total current liabilities	1,049,205	3,911,806
Net assets		
Unrestricted	12,072,507	11,241,211
Temporarily restricted	57,621	57,621
Total net assets	12,130,128	11,298,832
Total liabilities and net assets	$ 13,179,333	$ 15,210,638

Florida Institute of Certified Public Accountants and
Florida Institute of Accountants, Inc. and Subsidiary
Consolidated Statements of Activities
Years Ended June 30, 2018 and 2017

	2018	2017
Change in unrestricted net assets		
Revenues		
Membership dues	$ 4,099,458	$ 4,121,121
Continuing professional education programs	2,989,673	3,068,310
Peer review fees	368,200	386,602
Publications	104,263	116,186
Institute endorsed programs	191,351	135,131
Net gains on investments	675,602	847,215
Interest and dividends	246,154	243,613
Other	129,616	159,956
Gain on sale-leaseback	128,317	256,635
Total revenues	8,932,634	9,334,769
Expenses		
Program services		
Membership services	2,657,814	2,675,460
Continuing professional education	2,960,100	2,973,098
Chapter operations	349,494	454,453
Peer review services	382,444	364,619
Government affairs	512,781	456,580
Supporting services		
Management and administrative	1,238,705	1,027,835
Total expenses	8,101,338	7,952,045
Change in unrestricted net assets	831,296	1,382,724
Change in net assets	831,296	1,382,724
Net assets		
Beginning of year	11,298,832	9,916,108
End of year	$ 12,130,128	$ 11,298,832

Florida Institute of Certified Public Accountants and Florida Institute of Accountants, Inc. and Subsidiary
Consolidated Statements of Cash Flows
Years Ended June 30, 2018 and 2017

	2018	2017
Cash flows from operating activities		
Change in net assets	$ 831,296	$ 1,382,724
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	88,833	86,903
Loss (gain) on sale of property and equipment	4,206	(2,476)
Amortization of deferred gain on sale-leaseback	(128,318)	(256,635)
Dividend reinvestments	(246,139)	(238,315)
Realized and unrealized gains on investments	(675,602)	(847,215)
(Increase) decrease in		
Accounts receivable and accrued income	(97,477)	30,675
Prepaid expenses	(113,513)	21,530
Other assets	(24,285)	5,641
Increase (decrease) in		
Accounts payable and accrued expenses	58,323	54,193
Deferred revenues	(2,792,606)	523,332
Net cash provided by (used in) operating activities	(3,095,282)	760,357
Cash flows from investing activities		
Purchases of property and equipment	(563,814)	(19,939)
Proceeds from sale of property and equipment	6,200	3,725
Purchases of investments	(1,455,312)	(2,758,558)
Proceeds from sales and maturities of investments	2,556,900	2,753,260
Net cash provided by (used in) investing activities	543,974	(21,512)
Net change in cash and cash equivalents	(2,551,308)	738,845
Cash and cash equivalents		
Beginning of year	3,155,044	2,416,199
End of year	$ 603,736	$ 3,155,044

The Notes to Consolidated Financial Statements are an integral part of these statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Florida Institute of Certified Public Accountants and Florida Institute of Accountants, Inc. (the "Institute") is a tax-exempt entity organized in Florida to maintain higher standards of accountancy, to promote the exchange of ideas within the accounting profession, and to advance understanding among its members and the general public. The primary sources of revenue are membership dues and continuing professional education programs.

Basis of Presentation

The Institute prepares its statements under the guidance of Financial Accounting Standards Board ("FASB") ASC 958, *Not-for-Profit Entities*. Under FASB ASC 958, the Institute is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Institute does not have any permanently restricted net assets.

Basis of Accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Institute and changes therein are classified and reported as follows:

Unrestricted – Net assets that are not subject to donor-imposed restrictions.

Temporarily Restricted – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Institute and/or the passage of time. When a restriction is satisfied or expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions.

Basis of Consolidation

The consolidated financial statements include the accounts of the Institute, including its local chapters, and its wholly-owned subsidiary, CPA Service Corporation, a for-profit corporation. FICPA Insurance Services, LLC, a for-profit limited liability company, is a wholly-owned subsidiary of CPA Service Corporation. All significant intercompany transactions and balances have been eliminated in consolidation.

The Institute provides support to its affiliates:

- FICPA Scholarship Foundation, Inc.
- Florida CPA Political Action Committee, Inc.
- Florida CPA Political Action Committee – North, Inc.
- Florida CPA Political Action Committee – South, Inc.
- Florida CPA Political Action Committee – Central, Inc.

These organizations are not considered financially interrelated organizations, as defined in FASB ASC 958, *Not-for-Profit Entities*, and accordingly, are not included in the accompanying consolidated financial statements.

Use of 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 consolidated financial statements and the reported amounts of support, revenues, and expenses during the reporting period. Actual results could differ from those estimates.

Accounting Pronouncements Issued But Not Yet Adopted

Financial Statement Presentation of Not-for-Profit Entities

In August 2016, the FASB issued Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954) – Presentation of Financial Statements of Not-for-Profit* Entities (ASU 2016-14). ASU 2016-14 amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions", (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statements of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017. Early adoption is permitted. The provisions of ASU 2016-14 must be applied on a retrospective basis for all years presented although certain optional practical expedients are available for periods prior to adoption. The Institute is currently evaluating the impact of ASU 2016-14 on its financial statements.

Revenue

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers* (ASU 2014-09), which supersedes nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. ASU 2014-09 defines a five step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than are required under existing U.S. GAAP.

The standard is effective for annual periods beginning after December 15, 2018, using either of the following transition methods: (i) a full retrospective approach reflecting the application of the standard in each prior reporting period with the option to elect certain practical expedients, or (ii) a retrospective approach with the cumulative effect of initially adopting ASU 2014-09 recognized at the date of adoption (which includes additional footnote disclosures). The Institute is currently evaluating the impact if its pending adoption of ASU 2014-09 on its financial statements and has not yet determined the method by which it will adopt the standard.

Leases

In February 2016, the FASB issued Accounting Standards Update No. 2016-02, *Leases* (ASU 2016-02). ASU 2016-02 establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet 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 income statement.

ASU 2016-02 is effective for fiscal years beginning after December 15, 2019. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Institute is currently evaluating the impact of its pending adoption of the new standard on its financial statements.

Cash and Cash Equivalents

Cash and cash equivalents consist of checking and savings accounts and money market funds similar to demand deposits. The Institute considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

At times, the Institute had a concentration of credit risk arising from cash deposits at a financial institution in excess of federally insured limits. At June 30, 2018, approximately $408,000 of cash and cash equivalents was uninsured.

Accounts Receivable and Accrued Income

The Institute is a professional association which grants credit to members who use the continuing professional education and peer review services offered by the Institute. The Institute also grants credit to customers for advertisements in the *Florida CPA Today* magazine. Accounts receivable are stated at estimated net realizable value. For certain trade receivables over 30 days past due, an interest rate of 1.5% is applied against the outstanding balance. After 120 days past due, accounts are generally turned over to a third-party collection agency and a valuation allowance is set up. The allowance, if necessary, is based on the Institute's historic write-offs, the present economic conditions, and the perceived financial stability of its members. Specific accounts, generally no more than one year past due, are written off once determined uncollectible by the collection agency and management. At June 30, 2018 and 2017, no allowance was recorded.

Investments

The Institute invests in debt and equity securities for long-term preservation of capital and growth through consistent returns. The Institute accounts for investments in accordance with FASB ASC 958, *Not-for-Profit Entities*. Therefore, investments in debt and equity securities are reported at fair market 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 measurements.

Realized and unrealized gains and losses are reflected in the consolidated statements of activities. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. The Institute's investments consist of mutual funds with readily determinable market values.

Property and Equipment
Property and equipment greater than $1,000 is recorded at cost. Material purchases of property and equipment, and significant repairs and additions, which extend the useful life of existing assets, are capitalized in accordance with the Institute's adopted policy. Building is depreciated over its estimated useful life of 40 years using the straight-line method. Furniture, fixtures, and equipment are depreciated over estimated useful lives ranging from 3 to 15 years using the straight-line method. Leasehold improvements are amortized over the life of the related lease.

Revenue Recognition
Revenues are recognized when the earnings process is substantially complete and goods have been delivered or services performed. Revenues from membership dues are recognized in the year to which they relate. Continuing education revenues are recognized when the educational course has been held or the educational materials have been delivered. Peer review fees are recognized when the Institute has substantially completed the review process.

Advertising
The Institute expenses the costs of advertising the first time the advertising takes place, except for direct-response advertising which is amortized over its expected period of future benefits. Direct-response advertising consists of CPE program advertisements placed in the *Florida CPA Today* magazine, directories, and other direct-mail brochures. The capitalized costs of the advertising are amortized over the annual CPE program term and as advertised classes are held. For the years ended June 30, 2018 and 2017, advertising expense was approximately $137,000 and $161,000, respectively.

Income Taxes
The Institute is generally exempt from income taxes under Section 501(c)(6) of the Internal Revenue Code. However, the Institute is subject to tax on unrelated business income arising from advertising and certain commissions.

The wholly-owned for-profit subsidiary uses the asset and liability method of accounting for income taxes as required by FASB ASC 740, *Income Taxes*. Therefore, federal and state income taxes are provided on income reported for financial statement purposes and include both current and deferred income tax expense. Current income tax expense is recorded to reflect income taxes based upon the tax returns filed with the appropriate taxing agencies. Deferred income taxes are recorded to reflect the tax consequences on future years of differences between the tax bases of assets and liabilities and their financial reporting amounts at year end. The change in deferred income taxes is recognized as deferred income tax expense or benefit. The tax benefit related to operating loss carryforwards, if any, is recognized if management believes, based on available evidence, that it is more likely than not that they will be realized.

The Tax Cut and Jobs Act (the "Tax Act") was enacted on December 22, 2017. The Tax Act contains several key provisions including, among other things, reducing the U.S. federal corporate tax rate from 34% to 21%. Changes in tax law are accounted for in the period of enactment. In addition, federal net operating losses ("NOLs") generated during future periods will be carried forward indefinitely, but will be subject to an eighty percent utilization against taxable income. The carryback provision has been revoked for NOLs generated after January 1, 2018.

Reclassifications

Certain revenues and expenses included in the June 30, 2017 consolidated financial statements have been reclassified to conform to the current year presentation. These changes had no effect on net assets or changes in net assets.

Subsequent Events

Subsequent events have been evaluated through December 7, 2018, the date the consolidated financial statements were available to be issued. Based upon this evaluation, other than disclosed, the Institute has determined that no other subsequent events have occurred which require adjustment to or disclosure in the consolidated financial statements.

2. INVESTMENTS

Investments consist of the following at June 30, 2018 and 2017:

	2018		
	Historical Cost	Unrealized Gains (Losses)	Market and Carrying Value
Mutual funds invested in debt securities	$ 2,045,217	$ (69,487)	$ 1,975,730
Mutual funds invested in equity securities	2,569,789	1,197,387	3,767,176
Exchange-traded funds invested in debt securities	1,641,063	(39,827)	1,601,236
Exchange-traded funds invested in equity securities	2,801,312	1,059,761	3,861,073
Total investments	$ 9,057,381	$ 2,147,834	$ 11,205,215

	2017		
	Historical Cost	Unrealized Gains (Losses)	Market and Carrying Value
Mutual funds invested in debt securities	$ 1,999,668	$ (7,964)	$ 1,991,704
Mutual funds invested in equity securities	2,662,522	1,075,757	3,738,279
Exchange-traded funds invested in debt securities	1,566,439	16,675	1,583,114
Exchange-traded funds invested in equity securities	3,241,513	830,452	4,071,965
Total investments	$ 9,470,142	$ 1,914,920	$ 11,385,062

Net gains on investments shown on the accompanying consolidated statements of activities consist of the following for the years ended June 30, 2018 and 2017:

	2018	2017
Unrealized gains	$ 551,495	$ 771,841
Realized gains	124,107	75,374
Net gains on investments	$ 675,602	$ 847,215

3. FAIR VALUE MEASUREMENTS

FASB 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 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 asset or liability; 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 asset's 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 are descriptions of the valuation methodologies used for investments measured at fair value. There have been no changes in the methodologies used at June 30, 2018 and 2017.

Mutual funds: Valued at the daily closing price as reported by the funds. Mutual funds held by the Institute are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds held by the Institute are deemed to be actively traded.

Exchange-traded funds: Measured at the value of the quoted market prices.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Institute 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 table sets forth the Institute's Level 1 investments measured at fair value at June 30, 2018 and 2017:

	2018	2017
Mutual funds invested in debt securities		
Vanguard Short-Term Bond Index Fund	$ 1,007,547	$ 1,009,901
Vanguard Inter-Term Bond Index Fund	968,183	981,803
	1,975,730	1,991,704
Mutual funds invested in equity securities		
Vanguard Federal Money Market fund	572	83
Vanguard 500 Index Fund	1,438,999	1,504,508
Vanguard Small Cap Index Fund	386,287	452,597
Vanguard Total International Stock Index Fund	326,963	305,301
Vanguard High Dividend Yld Index	1,614,355	1,475,790
	3,767,176	3,738,279
Exchange-traded funds invested in debt securities		
IShares Floating Rate Bond	29,448	-
Vanguard Inter-Term Corporate Bond	779,995	790,699
Vanguard Short-Term Corporate Bond	791,793	792,415
	1,601,236	1,583,114
Exchange-traded funds invested in equity securities		
Vanguard FTSE Emerging Markets	141,330	133,368
Vanguard Dividend Appreciation	1,527,552	1,498,482
Guggenheim S&P 500 Equal weight	638,902	829,713
Ishares Core S&P 500	1,553,289	1,610,402
	3,861,073	4,071,965
Total investments	$ 11,205,215	$ 11,385,062

The value and related income of the Institute's investments are sensitive to changes in economic conditions. Accordingly, investment values may be subject to risks by shifts in the market's perception of the issuers and changes in interest rates.

4. PROPERTY AND EQUIPMENT

The components of property and equipment at June 30, 2018 and 2017, are presented below:

	2018	**2017**
Land	$ 85,000	$ -
Building	340,798	-
Leasehold improvements	70,959	-
Furniture, fixtures, and equipment	1,194,606	1,409,556
Less accumulated depreciation	(888,005)	(1,070,773)
Total property and equipment	$ 803,358	$ 338,783

Depreciation expense totaled approximately $89,000 and $87,000 for the years ended June 30, 2018 and 2017, respectively.

In December 2017, the Institute purchased a condominium located in Tallahassee, Florida for approximately $426,000 to be used for additional office space.

5. SALE-LEASEBACK TRANSACTION

In January 2016, the Institute sold and leased back its land and office building. Proceeds of approximately $3,972,000 were received in connection with the sale, which were net of seller incurred closing costs of approximately $28,000. The carrying value of the land and building sold was approximately $2,042,000. In accordance with FASB ASC 840, *Leases,* the Institute accounted for the transaction as a sale-leaseback and recognized a gain of approximately $1,427,000 and a deferred gain of approximately $503,000. The deferred gain will be amortized over the expected life of the building lease (see Note 12). For the years ended June 30, 2018 and 2017, amortization of the deferred gain totaled approximately $128,000 and $257,000, respectively.

6. LINE OF CREDIT

Pursuant to an agreement with Hancock Bank, the Institute had available a $500,000 unsecured line of credit. The line of credit matures in April 2019 and bears interest at the greater of 4.0% or the prime rate (5.0% at June 30, 2018). At June 30, 2018 and 2017, there was no outstanding balance.

7. DEFINED-CONTRIBUTION PLAN

The Institute sponsors a defined-contribution pension plan for salaried employees who have completed six months of service and have attained age 20½ years. The plan provides for matching and discretionary profit sharing contributions by the Institute on behalf of eligible employees. Employees may optionally contribute to the plan via salary deferrals and are limited by certain provisions of the Internal Revenue Code. Due to the nature of the plan, there is no liability for past service costs or unfunded vested benefits. For the fiscal years ended June 30, 2018 and 2017, the Institute's contributions to the plan totaled approximately $100,000 and $90,000, respectively. For the years ended June 30, 2018 and 2017, plan contributions included approximately $49,000 and $32,000, respectively, of discretionary profit sharing contributions.

8. INCOME TAXES

The wholly-owned for-profit subsidiary (CPA Service Corporation and its wholly-owned for-profit subsidiary, FICPA Insurance Services, LLC) uses the asset and liability method of accounting for income taxes as required by FASB ASC 740, Income Taxes. Under this statement, CPA Service Corporation and its subsidiary have an estimated gross deferred tax asset of approximately $138,000 and $216,000 at June 30, 2018 and 2017, respectively, resulting from approximately $656,000 and $629,000 of income tax net operating loss carryforwards unused at June 30, 2018 and 2017, respectively. Of these carryforwards, approximately $176,000, $253,000, and $164,000 expire in 2019, 2020, and 2021, respectively. The remaining amounts expire at various times between 2022 and 2034. However, due to uncertainty regarding realizability, a valuation allowance has been recorded in the full amount of the estimated deferred tax assets as of June 30, 2018 and 2017. Therefore, there was no net deferred income tax benefit recognized by CPA Service Corporation for the years ended June 30, 2018 and 2017.

The unused net operating loss is available to offset future taxable income of CPA Service Corporation and its subsidiary.

The Institute implemented the accounting requirements associated with uncertainty in income taxes using the provisions of FASB ASC 740, *Income Taxes*. Using that guidance, tax positions initially need to be recognized in financial statements when it is more-likely-than-not the positions will be sustained upon examination by the tax authorities. It also provides guidance for de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. As of June 30, 2018, the Institute has no uncertain tax positions that qualify for either recognition or disclosure in the consolidated financial statements.

The Tax Act includes a number of changes in existing tax law impacting businesses including, among other things, a permanent reduction in the corporate income tax rate from 34% to 21%, effective January 1, 2018. The impact of this change in tax rate has been recorded and reflected in the deferred tax assets as of June 30, 2018.

9. FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the Institute's various programs and activities have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among the programs benefited.

10. TEMPORARILY RESTRICTED NET ASSETS

The Institute reports contributions of cash or other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. At both June 30, 2018 and 2017, the Institute held $57,621 of contributions from members to support the Anti-Tax Initiative.

11. RELATED PARTIES

At June 30, 2018 and 2017, the Institute held amounts collected on behalf of or designated to certain affiliates. These amounts are included in accounts payable and accrued expenses and accounts receivable as follows:

	2018	2017
Due to (from) FICPA Scholarship Foundation, Inc.	$ (13,469)	$ 41,998
Due to Florida CPA Political Action Committees	1,951	16,999
	$ (11,518)	$ 58,997

At times, the Institute provides services to the FICPA Scholarship Foundation, Inc. which are recorded as in-kind contributions under the related service expense. For the years ended June 30, 2018 and 2017, the Institute contributed approximately $250,000 and $149,000, respectively, of services related to administrative support.

In addition, the Institute manages monies from chapter events and operations and has designated those assets for use in Chapter operations. At June 30, 2018 and 2017, net assets designated for Chapter operations totaled $64,046 and $112,991, respectively.

12. COMMITMENTS AND CONTINGENCIES

Operating Leases

As Lessee

The Institute leased office space under a noncancelable operating lease resulting from a sale-leaseback transaction (see Note 5) which expired December 31, 2017.

Commencing September 1, 2017, the Institute leased office space under a noncancellable operating lease which expires December 31, 2022. The lease requires payments of approximately $11,500 through February 2018, and payments ranging from approximately $23,000 to $26,000 for the remainder of the lease. The lease allows for a 5-year renewal option through December 31, 2027.

Additionally, the Institute leases certain office equipment under noncancellable operating leases expiring at various dates through September 2018.

Future minimum rental payments under leases with remaining terms in excess of one year at June 30, 2018, are as follows:

Year Ending June 30,		
2019	$	290,863
2020		297,580
2021		300,410
2022		304,654
2023		155,474
	$	1,348,981

Rental expense incurred under all operating leases for the years ended June 30, 2018 and 2017, was approximately $269,000 and $57,000, respectively, net of amortization of approximately $128,000 and $257,000 (see Note 5), respectively.

Conference and Hotel Agreements

During the ordinary course of business, the Institute executes agreements with hotels and conference centers for future events. These agreements contain financial penalties for termination of the contract as well as minimum financial guarantees related to room and food/beverage sales. At June 30, 2018, management has no intentions to terminate any of the existing agreements. Additionally, in the case of an unforeseen cancellation, management believes the resulting costs would not be material to the consolidated financial statements.

Marketing, Website, and Information Technology Services Contract

During fiscal year 2018, the Institute engaged a firm to provide marketing services, website management, and information technology support services. The contract, which required 180 day written notice from either party to be terminated, initially called for monthly payments ranging from approximately $42,000 to $50,000 for certain marketing and website services from July 2017 through December 2017, and approximately $65,000 to $75,000 for all services commencing January 2018. In August 2018, the contract was amended which terminated the website management and the information technology support services, permitted the parties to terminate the contract with 120 days written notice, and adjusted the required monthly payments to approximately $69,000 through December 2018. In January 2019, payments of approximate $47,000 will be due for marketing and video services only. Expenses paid under this contract for the year ended June 30, 2018 totaled approximately $671,500.

Florida Institute of Certified Public Accountants

SUPPLEMENTARY INFORMATION

Florida Institute of Certified Public Accountants and
Florida Institute of Accountants, Inc. and Subsidiary
Consolidating Schedules of Financial Position
Years Ended June 30, 2018 and 2017

	FICPA & Chapters	CPA Service Corporation	FICPA Insurance Services, LLC	Eliminating Entries	2018 Total	2017 Total
Assets						
Current assets						
Cash and cash equivalents	$ 580,571	$ 85	$ 23,080	$ -	$ 603,736	$ 3,155,044
Accounts receivable and accrued income	230,264	-	-	-	230,264	132,787
Prepaid expenses	312,475	-	-	-	312,475	198,962
Total current assets	1,123,310	85	23,080	-	1,146,475	3,486,793
Investments	11,225,491	20,192	-	(40,468)	11,205,215	11,385,062
Property and equipment, net	803,358	-	-	-	803,358	338,783
Other assets, net	27,174	-	-	(2,889)	24,285	-
Total assets	$ 13,179,333	$ 20,277	$ 23,080	$ (43,357)	$ 13,179,333	$ 15,210,638
Liabilities and Net Assets						
Current liabilities						
Accounts payable and accrued expenses	$ 885,036	$ -	$ 2,889	$ (2,889)	$ 885,036	$ 826,713
Revenues received in advance						
Membership dues	-	-	-	-	-	2,691,707
Continuing professional education fees	118,739	-	-	-	118,739	180,371
Other	45,430	-	-	-	45,430	84,697
Deferred gain on sale-leaseback	-	-	-	-	-	128,318
Total current liabilities	1,049,205	-	2,889	(2,889)	1,049,205	3,911,806
Net assets						
Common stock	-	10	10	(20)	-	-
Additional paid-in capital	-	654,262	24,225	(678,487)	-	-
Retained earnings	-	(633,995)	(4,044)	638,039	-	-
Unrestricted	12,072,507	-	-	-	12,072,507	11,241,211
Temporarily restricted	57,621	-	-	-	57,621	57,621
Total net assets	12,130,128	20,277	20,191	(40,468)	12,130,128	11,298,832
Total liabilities and net assets	$ 13,179,333	$ 20,277	$ 23,080	$ (43,357)	$ 13,179,333	$ 15,210,638

See Independent Auditors' Report.

Florida Institute of Certified Public Accountants and
Florida Institute of Accountants, Inc. and Subsidiary
Consolidating Schedules of Activities
Years Ended June 30, 2018 and 2017

	FICPA	Chapters of FICPA	CPA Service Corporation	FICPA Insurance Services, LLC	Eliminating Entries	2018 Total	2017 Total
Change in unrestricted net assets							
Revenues							
Membership dues	$ 4,099,458	$ -	$ -	$ -	$ -	$ 4,099,458	$ 4,121,121
Continuing professional education programs	2,722,449	267,224	-	-	-	2,989,673	3,068,310
Peer review fees	368,200	-	-	-	-	368,200	386,602
Publications	104,263	-	-	-	-	104,263	116,186
Institute endorsed programs	191,351	-	-	-	-	191,351	135,131
Net gains on investments	675,602	-	-	-	-	675,602	847,215
Interest and dividends	246,154	-	-	-	-	246,154	243,613
Other	96,291	33,325	7,278	10,081	(17,359)	129,616	159,956
Gain on sale-leaseback	128,317	-	-	-	-	128,317	256,635
Total revenues	8,632,085	300,549	7,278	10,081	(17,359)	8,932,634	9,334,769
Expenses							
Program services							
Membership services	2,657,814	-	-	-	-	2,657,814	2,675,460
Continuing professional education	2,960,100	-	-	-	-	2,960,100	2,973,098
Chapter operations	-	349,494	-	-	-	349,494	454,453
Peer review services	382,444	-	-	-	-	382,444	364,619
Government affairs	512,781	-	-	-	-	512,781	456,580
Supporting services							
Management and administrative	1,238,705	-	150	2,803	(2,953)	1,238,705	1,027,835
Total expenses	7,751,844	349,494	150	2,803	(2,953)	8,101,338	7,952,045
Change in net assets	880,241	(48,945)	7,128	7,278	(14,406)	831,296	1,382,724
Net assets							
Beginning of year	11,185,841	112,991	12,999	12,913	(25,912)	11,298,832	9,916,108
Capital contribution	-	-	150	-	(150)	-	-
End of year	$ 12,066,082	$ 64,046	$ 20,277	$ 20,191	$ (40,468)	12,130,128	$ 11,298,832

See Independent Auditors' Report.

Florida Institute of Certified Public Accountants and
Florida Institute of Accountants, Inc. and Subsidiary
Consolidating Schedules of Expenses
Years Ended June 30, 2018 and 2017

	Membership Services	Continuing Professional Education	Chapter Operations	Peer Review Services	Government Affairs	Management and Administrative	2018 Total	2017 Total
Advertising and promotions	$ 13,536	$ 123,640	$ -	$ -	$ -	$ -	$ 137,176	$ 161,054
Chapter operations	-	-	349,494	-	-	-	349,494	454,453
Consulting	340,891	221,438	-	5,504	130,550	154,538	852,921	163,236
Contributions and sponsorships	252,536	469	-	-	2,000	1,437	256,442	154,154
Copier and fax lease	7,618	5,108	-	1,553	1,832	3,108	19,219	25,621
Depreciation and amortization	31,716	25,187	-	3,531	10,015	18,384	88,833	86,903
Dues and subscriptions	8,565	3,263	-	4,262	27,830	5,045	48,965	39,770
Education	15,670	8,920	-	4,788	8,170	15,167	52,715	54,800
Facility and A/V rentals	161,571	387,514	-	27,048	17,111	105,101	698,345	629,314
Honorariums	-	128,415	-	-	-	-	128,415	121,762
Insurance	23,992	14,589	-	3,663	6,473	11,798	60,515	72,482
Legal and accounting	-	-	-	-	-	47,074	47,074	58,428
Materials and royalties	1,050	116,413	-	-	-	-	117,463	147,322
Merchant fees	22,903	67,816	-	2,864	-	9,564	103,147	162,020
Miscellaneous	26,151	32,280	-	1,995	5,103	49,594	115,123	59,418
Office supplies	1,921	5,978	-	137	255	2,668	10,959	11,252
Postage	44,498	7,923	-	723	56	3,164	56,364	67,148
Printing	28,467	2,555	-	298	229	1,020	32,569	40,558
Repairs and maintenance	18,046	12,714	-	3,646	7,749	14,879	57,034	61,208
Salaries and benefits	1,321,755	871,391	-	288,113	254,698	709,338	3,445,295	3,991,504
Speaker expenses	6,698	123,975	-	-	-	-	130,673	146,404
Telephone and utilities	11,137	5,640	-	1,836	4,591	5,134	28,338	25,659
Travel and entertainment	231,084	728,281	-	12,597	25,073	43,266	1,040,301	987,660
Website and technology	88,009	66,591	-	19,886	11,046	38,426	223,958	229,915
Total expenses	$ 2,657,814	$ 2,960,100	$ 349,494	$ 382,444	$ 512,781	$ 1,238,705	$ 8,101,338	$ 7,952,045

See Independent Auditors' Report.