



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, 2020 and 2019**  
**With Independent Auditor's Report**

**Florida Institute of Certified Public Accountants and  
Florida Institute of Accountants, Inc. and Subsidiary  
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June 30, 2020 and 2019**

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## INDEPENDENT AUDITOR'S REPORT

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

### 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, 2020 and 2019, the related consolidated statements of activities, cash flows, and functional expenses 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.

### Auditor's 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 auditor's 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 auditor considers 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.

### Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Florida Institute of Certified Public Accountants and Florida Institute of Accountants, Inc. and Subsidiary as of June 30, 2020 and 2019, 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 and activities as of and for the years ended June 30, 2020 and 2019 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.

A handwritten signature in blue ink that reads "Withum Smith + Brown, PC". The signature is written in a cursive, flowing style.

September 22, 2020

**Florida Institute of Certified Public Accountants and  
Florida Institute of Accountants, Inc. and Subsidiary  
Consolidated Statements of Financial Position  
June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 1,006,096	\$ 1,800,789
Accounts receivable and accrued income	143,466	174,521
Prepaid expenses	<u>210,511</u>	<u>312,005</u>
Total current assets	1,360,073	2,287,315
Investments	13,072,275	12,777,765
Property and equipment, net	1,117,692	971,067
Other assets, net	<u>12,427</u>	<u>27,535</u>
Total assets	<u>\$ 15,562,467</u>	<u>\$ 16,063,682</u>
<b>Liabilities and Net Assets</b>		
Current liabilities		
Accounts payable and accrued expenses	\$ 656,384	\$ 983,965
Revenues received in advance		
Membership dues	1,073,853	1,699,281
Continuing professional education fees	48,696	99,136
Other	<u>87,703</u>	<u>55,791</u>
Total current liabilities	<u>1,866,636</u>	<u>2,838,173</u>
Net assets		
Without donor restrictions	13,638,210	13,167,888
With donor restrictions	<u>57,621</u>	<u>57,621</u>
Total net assets	<u>13,695,831</u>	<u>13,225,509</u>
Total liabilities and net assets	<u>\$ 15,562,467</u>	<u>\$ 16,063,682</u>

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

**Florida Institute of Certified Public Accountants and  
Florida Institute of Accountants, Inc. and Subsidiary  
Consolidated Statements of Activities  
Years Ended June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
Change in net assets without donor restrictions		
Revenues		
Membership dues	\$ 3,994,993	\$ 4,017,301
Continuing professional education programs	2,284,862	3,085,676
Peer review fees	383,094	380,177
Publications	81,858	101,021
Institute endorsed programs	165,061	137,606
Net gains on investments	183,712	723,518
Interest and dividends	310,552	290,352
Other	<u>54,663</u>	<u>94,655</u>
Total revenues	<u>7,458,795</u>	<u>8,830,306</u>
Expenses		
Program services		
Membership services	2,207,563	2,449,247
Continuing professional education	2,157,197	2,755,026
Chapter operations	285,275	414,899
Peer review services	420,862	390,131
Government affairs	546,141	534,829
Supporting services		
Management and administrative	<u>1,371,435</u>	<u>1,190,793</u>
Total expenses	<u>6,988,473</u>	<u>7,734,925</u>
Change in net assets without donor restrictions	470,322	1,095,381
Net assets		
Beginning of year	<u>13,225,509</u>	<u>12,130,128</u>
End of year	<u>\$ 13,695,831</u>	<u>\$ 13,225,509</u>

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

**Florida Institute of Certified Public Accountants and  
Florida Institute of Accountants, Inc. and Subsidiary  
Consolidated Statements of Cash Flows  
Years Ended June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>Operating activities</b>		
Change in net assets	\$ 470,322	\$ 1,095,381
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	80,536	101,191
Loss (gain) on sale of property and equipment	6,628	(906)
Dividend reinvestments	(310,552)	(290,492)
Realized and unrealized gains on investments	(183,712)	(723,518)
Change in		
Accounts receivable and accrued income	31,055	55,743
Prepaid expenses	101,494	470
Other assets	15,108	(3,250)
Accounts payable and accrued expenses	(327,582)	98,929
Deferred revenues	<u>(643,956)</u>	<u>1,690,039</u>
Net cash provided by (used in) operating activities	<u>(760,659)</u>	<u>2,023,587</u>
<b>Investing activities</b>		
Purchases of property and equipment	(249,629)	(269,284)
Proceeds from sale of property and equipment	15,840	1,290
Purchases of investments	(858,874)	(1,199,861)
Proceeds from sales and maturities of investments	<u>1,058,629</u>	<u>641,321</u>
Net cash used in investing activities	<u>(34,034)</u>	<u>(826,534)</u>
<b>Financing activities</b>		
Advances on line of credit	767,406	-
Repayments on line of credit	<u>(767,406)</u>	<u>-</u>
Net cash used in financing activities	<u>-</u>	<u>-</u>
Net change in cash and cash equivalents	(794,693)	1,197,053
<b>Cash and cash equivalents</b>		
Beginning of year	<u>1,800,789</u>	<u>603,736</u>
End of year	<u>\$ 1,006,096</u>	<u>\$ 1,800,789</u>

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

**Florida Institute of Certified Public Accountants and  
Florida Institute of Accountants, Inc. and Subsidiary  
Consolidated Statement of Functional Expenses  
Year Ended June 30, 2020**

	Program Services					Management and Administrative	Total
	Membership Services	Continuing Professional Education	Chapter Operations	Peer Review Services	Government Affairs		
Advertising and promotions	\$ 29,999	\$ 95,032	\$ -	\$ -	\$ -	\$ -	\$ 125,031
Consulting	171,851	181,901	-	56,636	139,648	255,442	805,478
Contributions and sponsorships	323,616	-	4,760	-	3,000	-	331,376
Copier and fax lease	7,084	4,448	-	1,318	2,410	2,801	18,061
Depreciation and amortization	23,395	18,978	-	3,122	19,174	15,867	80,536
Dues and subscriptions	6,636	4,516	-	1,391	41,198	9,178	62,919
Education	14,379	10,334	-	4,810	6,288	16,388	52,199
Facility and A/V rentals	85,945	235,617	8,694	36,265	2,310	160,359	529,190
Food and beverage	49,365	401,818	129,427	1,359	-	3,444	585,413
Honorariums	2,361	79,694	1,150	500	-	-	83,705
Insurance	15,927	10,840	-	2,603	5,143	10,047	44,560
Legal and accounting	-	-	-	-	1,271	58,880	60,151
Materials and royalties	65	81,669	2,247	-	-	-	83,981
Merchant fees	49,286	51,789	3,557	3,062	-	14,918	122,612
Miscellaneous	24,640	21,309	3,774	2,318	1,498	6,263	59,802
Office supplies	1,713	1,901	484	143	1,055	693	5,989
Postage	40,018	2,085	76	638	76	3,780	46,673
Printing	21,887	222	-	53	715	391	23,268
Repairs and maintenance	7,532	5,800	-	2,606	11,568	6,423	33,929
Salaries and benefits	1,137,229	774,460	88,239	279,988	285,894	751,733	3,317,543
Speaker expenses	8,087	59,755	5,246	-	-	-	73,088
Special events	-	-	35,537	-	-	-	35,537
Telephone and utilities	9,721	6,369	-	1,503	5,841	7,887	31,321
Travel and entertainment	73,286	31,658	2,084	9,397	9,073	16,177	141,675
Website and technology	103,541	77,002	-	13,150	9,979	30,764	234,436
	<u>\$ 2,207,563</u>	<u>\$ 2,157,197</u>	<u>\$ 285,275</u>	<u>\$ 420,862</u>	<u>\$ 546,141</u>	<u>\$ 1,371,435</u>	<u>\$ 6,988,473</u>

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



**Florida Institute of Certified Public Accountants and  
Florida Institute of Accountants, Inc. and Subsidiary  
Consolidated Statement of Functional Expenses  
Year Ended June 30, 2019**

	Program Services					Management and Administrative	Total
	Membership Services	Continuing Professional Education	Chapter Operations	Peer Review Services	Government Affairs		
Advertising and promotions	\$ 14,264	\$ 108,711	\$ -	\$ -	\$ -	\$ -	\$ 122,975
Consulting	232,363	166,526	-	10,681	131,179	355,528	896,277
Contributions and sponsorships	253,022	-	10,588	-	6,662	836	271,108
Copier and fax lease	6,249	3,924	-	1,163	2,208	2,471	16,015
Depreciation and amortization	31,694	25,424	-	3,858	18,837	21,378	101,191
Dues and subscriptions	7,440	2,843	-	1,527	25,332	7,672	44,814
Education	13,193	8,201	-	4,903	5,262	17,002	48,561
Facility and A/V rentals	120,153	364,418	17,598	24,365	1,954	109,312	637,800
Food and beverage	148,098	714,536	203,622	3,641	-	3,233	1,073,130
Honorariums	805	113,470	1,750	-	-	-	116,025
Insurance	16,043	10,860	-	2,590	6,692	9,852	46,037
Legal and accounting	-	-	-	-	18,696	50,472	69,168
Materials and royalties	4,015	107,033	14,093	-	-	-	125,141
Merchant fees	99,541	70,124	6,600	3,216	-	6,581	186,062
Miscellaneous	16,159	19,740	5,191	2,156	7,499	4,596	55,341
Office supplies	3,646	5,749	755	194	1,847	510	12,701
Postage	42,940	8,784	221	730	78	3,630	56,383
Printing	31,585	970	-	103	540	1,485	34,683
Repairs and maintenance	9,803	7,357	-	2,142	8,884	7,727	35,913
Salaries and benefits	1,081,603	751,704	88,945	289,835	254,340	512,689	2,979,116
Speaker expenses	8,095	115,576	8,175	-	-	-	131,846
Special events	9,701	-	56,771	-	1,855	-	68,327
Telephone and utilities	7,791	5,533	180	1,371	6,395	7,212	28,482
Travel and entertainment	171,344	46,885	410	14,425	21,440	20,285	274,789
Website and technology	119,700	96,658	-	23,231	15,129	48,322	303,040
	<u>\$ 2,449,247</u>	<u>\$ 2,755,026</u>	<u>\$ 414,899</u>	<u>\$ 390,131</u>	<u>\$ 534,829</u>	<u>\$ 1,190,793</u>	<u>\$ 7,734,925</u>

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

**Florida Institute of Certified Public Accountants and  
Florida Institute of Accountants, Inc. and Subsidiary  
Notes to Consolidated Financial Statements  
June 30, 2020 and 2019**

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**1. 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 the state of 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.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**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 two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

**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:

**Net assets without donor restrictions:** Net assets that are not subject to donor-imposed stipulations. These assets may, however, be subject to Board of Directors (“Board”) designation and unavailable for use at management’s discretion.

**Net assets with donor restrictions:** Net assets that are subject to donor-imposed stipulations. These stipulations either require the Institute to maintain the net asset permanently, generally permitting all or part of the income earned on related assets be used for general or specific purposes, or be met either by the completion of a stipulated action and/or the passage of time. As of June 30, 2020, the Institute does not have any assets that are required to be maintained permanently.

**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.

**Florida Institute of Certified Public Accountants and  
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**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**

*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, as amended, was 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 has elected the provision of ASU 2020-05 that allows the Institute to defer the adoption of ASU 2014-09 for an additional year. As such, ASU 2014-09 will be effective for annual periods beginning after December 31, 2019. The Institute is currently evaluating the impact of its pending adoption of ASU 2014-09 on its consolidated financial statements.

*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, as amended, is effective for fiscal years beginning after December 15, 2021. 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 ASU 2016-02 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, 2020, approximately \$547,000 of cash and cash equivalents was uninsured.

**Florida Institute of Certified Public Accountants and  
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**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, 2020 and 2019, 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 4 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. The 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. Payments received for membership dues, continuing education events and courses, and other services, in advance of the delivery of goods or performance of services, are recorded as deferred revenues in the accompanying consolidated statements of financial position.

**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, 2020 and 2019, advertising expense was approximately \$125,000 and \$123,000, respectively.

**Florida Institute of Certified Public Accountants and  
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**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.

**Subsequent Events**

Subsequent events have been evaluated through September 22, 2020, the date the consolidated financial statements were available to be issued. Based upon this evaluation, the Institute has determined that no subsequent events have occurred which require adjustment to or disclosure in the consolidated financial statements.

**Risks and Uncertainties**

Management is currently evaluating the impact of the COVID-19 pandemic and has concluded that while it is reasonably possible that the virus could have a negative impact on the Institute's financial position and changes in its net assets, the specific impact is not readily determinable as of the date of these consolidated financial statements. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

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**3. INVESTMENTS**

Investments consist of the following at June 30, 2020 and 2019:

	<b>2020</b>		
	<b>Historical Cost</b>	<b>Unrealized Gains (Losses)</b>	<b>Market and Carrying Value</b>
Mutual funds invested in debt securities	\$ 1,898,022	\$ 144,620	\$ 2,042,642
Mutual funds invested in equity securities	3,025,026	1,259,679	4,284,705
Exchange-traded funds invested in debt securities	3,002,372	146,970	3,149,342
Exchange-traded funds invested in equity securities	<u>2,300,006</u>	<u>1,295,580</u>	<u>3,595,586</u>
Total investments	<u>\$ 10,225,426</u>	<u>\$ 2,846,849</u>	<u>\$ 13,072,275</u>
	<b>2019</b>		
	<b>Historical Cost</b>	<b>Unrealized Gains (Losses)</b>	<b>Market and Carrying Value</b>
Mutual funds invested in debt securities	\$ 2,096,874	\$ 28,233	\$ 2,125,107
Mutual funds invested in equity securities	3,870,761	1,398,552	5,269,313
Exchange-traded funds invested in debt securities	1,693,805	47,941	1,741,746
Exchange-traded funds invested in equity securities	<u>2,454,184</u>	<u>1,187,415</u>	<u>3,641,599</u>
Total investments	<u>\$ 10,115,624</u>	<u>\$ 2,662,141</u>	<u>\$ 12,777,765</u>

Net gains on investments shown on the accompanying consolidated statements of activities consist of the following for the years ended June 30, 2020 and 2019:

	<b>2020</b>	<b>2019</b>
Unrealized gains	\$ 184,708	\$ 721,099
Realized gains (losses)	<u>(996)</u>	<u>2,419</u>
Net gains on investments	<u>\$ 183,712</u>	<u>\$ 723,518</u>

**Florida Institute of Certified Public Accountants and  
Florida Institute of Accountants, Inc. and Subsidiary  
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June 30, 2020 and 2019**

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**4. 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 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, 2020 and 2019.

*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.

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The following table sets forth the Institute's Level 1 investments measured at fair value at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Mutual funds invested in debt securities		
Vanguard Short-Term Bond Index Fund	\$ 867,010	\$ 1,060,181
Vanguard Inter-Term Bond Index Fund	<u>1,175,632</u>	<u>1,064,926</u>
	<u>2,042,642</u>	<u>2,125,107</u>
Mutual funds invested in equity securities		
Vanguard Federal Money Market Fund	-	1,203,923
Vanguard 500 Index Fund	1,707,060	1,588,231
Vanguard Small Cap Index Fund	372,914	395,026
Vanguard Mid Cap Index Fund	251,509	-
Vanguard Total International Stock Index Fund	315,360	328,824
Vanguard High Dividend Yield Index	<u>1,637,862</u>	<u>1,753,309</u>
	<u>4,284,705</u>	<u>5,269,313</u>
Exchange-traded funds invested in debt securities		
iShares Floating Rate Bond	54	30,247
Vanguard Inter-Term Corporate Bond	951,480	870,103
Vanguard Short-Term Corporate Bond	<u>2,197,808</u>	<u>841,396</u>
	<u>3,149,342</u>	<u>1,741,746</u>
Exchange-traded funds invested in equity securities		
Vanguard FTSE Emerging Markets	140,543	146,286
Vanguard Dividend Appreciation	1,862,472	1,774,226
iShares Core S&P 500	<u>1,592,571</u>	<u>1,721,087</u>
	<u>3,595,586</u>	<u>3,641,599</u>
 Total investments	 <u>\$ 13,072,275</u>	 <u>\$ 12,777,765</u>

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.



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**5. PROPERTY AND EQUIPMENT**

The components of property and equipment at June 30, 2020 and 2019 are presented below:

	<u>2020</u>	<u>2019</u>
Land	\$ 85,000	\$ 85,000
Building	526,973	526,973
Leasehold improvements	60,872	60,872
Furniture, fixtures, and equipment	1,147,212	1,109,614
Production and development costs in process	268,066	95,052
Less: Accumulated depreciation	<u>(970,431)</u>	<u>(906,444)</u>
Total property and equipment	<u>\$ 1,117,692</u>	<u>\$ 971,067</u>

Depreciation and amortization expense totaled approximately \$80,536 and \$101,191 for the years ended June 30, 2020 and 2019, respectively.

**6. LINE OF CREDIT**

Pursuant to an agreement with Hancock Bank, the Institute had available a \$500,000 unsecured line of credit, which originally matured in May 2020 and was renewed through May 2021. The line of credit bears interest at the greater of 4.0% or the prime rate (3.25% at June 30, 2020). At June 30, 2020 and 2019, 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, 2020 and 2019, the Institute's contributions to the plan totaled approximately \$72,000 and \$97,000, respectively. For the years ended June 30, 2020 and 2019, plan contributions included approximately \$28,000 and \$57,000, 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 \$135,000 and \$136,000 at June 30, 2020 and 2019, respectively, resulting from approximately \$644,000 and \$650,000 of income tax net operating loss carryforwards unused at June 30, 2020 and 2019, respectively. Of these carryforwards, approximately \$253,000, \$164,000, and \$12,000 expire in 2021, 2022, and 2023, respectively. The remaining amounts expire at various times between 2024 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, 2020 and 2019. Therefore, there was no net deferred income tax benefit recognized by CPA Service Corporation for the years ended June 30, 2020 and 2019.

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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, 2020, the Institute has no uncertain tax positions that qualify for either recognition or disclosure in the consolidated financial statements.

**9. FUNCTIONAL ALLOCATION OF EXPENSES**

The consolidated statements of functional expenses present expenses by function and natural classification. Expenses directly attributable to a specific functional area are reported as expenses of those functional areas. A portion of general and administrative costs that benefit multiple functional areas (indirect costs) have been allocated across program and supporting services based on estimated time spent by employees involved with those areas. Other general and administrative expenses, including depreciation and amortization and rent, are allocated based on employee head count and estimated square footage prorated compared to total space used.

**10. NET ASSETS WITHOUT DONOR RESTRICTIONS**

The Institute's net assets without donor restrictions are comprised of undesignated and Board designated amounts for the following purposes at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Undesignated	\$ 9,646,065	\$ 9,135,364
Board designated for operating reserves	3,964,718	3,992,249
Board designated for Chapter operations	<u>27,427</u>	<u>40,275</u>
	<u>\$ 13,638,210</u>	<u>\$ 13,167,888</u>

**Operating Reserves**

During 2020, the Board, the Finance and Office Advisory Subcommittee ("FOA"), and the FICPA Council (the "Council") approved an operating reserve policy to be funded from net assets without donor restrictions excluding the carrying value of property and equipment (\$1,117,692 and \$971,067 at June 30, 2020 and 2019, respectively). The policy designates funding of 50% of the prior three-year rolling average of annual operating and program expenses with a minimum of not less than 25%, and was established to infuse funds for maintaining operations during times of financial distress, given a solid plan. These reserve funds may only be used following a recommendation from the FOA or Board and ratification from the Council.

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**Chapter Operations**

The Institute has designated funds related to Chapter net assets previously accumulated through Chapter initiatives. Annually, Chapter operations are reviewed in total and any monetary shortfalls in a given year are funded using these funds at Management's discretion. Although it is not the intent of the Institute or its management to utilize these Chapter designated funds for Institute operations, it can do so with the approval of the Board.

**11. NET ASSETS WITH DONOR RESTRICTIONS**

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 each of the years ended June 30, 2020 and 2019, the Institute held \$57,621 of contributions from members to support the Anti-Tax Initiative.

**12. RELATED PARTIES**

At June 30, 2020 and 2019, 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 at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Due to FICPA Scholarship Foundation, Inc.	\$ 7,649	\$ 10,238
Due to Florida CPA Political Action Committees	<u>14,621</u>	<u>17,381</u>
	<u>\$ 22,270</u>	<u>\$ 27,619</u>

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, 2020 and 2019, the Institute contributed approximately \$317,000 and \$251,000, respectively, of services related to administrative support which has been included in membership services in the consolidated statements of activities.

**13. COMMITMENTS AND CONTINGENCIES**

**Operating Leases**

**As Lessee**

Commencing September 1, 2017, the Institute leased office space under a noncancelable operating lease which expires December 31, 2022. The lease was amended effective April 2020, to reflect a reduction in total square footage in office space. Under the amended agreement, required monthly payments ranging from approximately \$17,000 to \$18,000 are due for the duration of the lease. The lease allows for a 5-year renewal option through December 31, 2027.

Additionally, the Institute leases certain office equipment under noncancelable operating leases expiring at various dates through November 2020.

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Future minimum rental payments under leases with remaining terms in excess of one year at June 30, 2020 are as follows:

2021	\$	211,718
2022		213,750
2023		109,083
	\$	<u>534,550</u>

Rental expense incurred under all operating leases, including short-term leases, for the years ended June 30, 2020 and 2019, was approximately \$341,000 and \$300,000, respectively.

**Conference and Hotel Agreements**

During the ordinary course of business, the Institute executes agreements with hotels and conference centers for future events. Generally these agreements contain financial penalties for termination of the contract as well as minimum financial guarantees related to room and food/beverage sales. However, due to the impact of the COVID-19 pandemic, many hotel and conference partners have permitted cancellations, deferrals or delays of scheduled events without penalties and the Institute has conducted most events virtually. Additionally, in the case of an unforeseen cancellation or contract modification, management believes that the resulting costs would not be material to the consolidated financial statements.

**Marketing, Website, and Information Technology Services Contract**

The Institute has engaged a firm to provide marketing, website management, and information technology support services. The original contract required 180 day written notice from either party to be terminated and 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. The amended contract permits termination with only 120 day written notice, excludes information technology support services, and calls for monthly payments ranging from \$59,000 to \$69,000 through December 2018. Beginning in January 2019, payments of approximately \$51,500 were due for marketing, video, and website management services only. Expenses paid under this contract for the year ended June 30, 2020 and 2019 totaled approximately \$857,500 and \$716,300, respectively.

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**14. FINANCIAL ASSETS AND LIQUIDITY RESOURCES**

The Institute's financial assets available within one year of the consolidated statements of financial position date for general expenditures are as follows at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 1,006,096	\$ 1,800,789
Accounts receivable and accrued income	143,466	174,521
Investments	<u>13,072,275</u>	<u>12,777,765</u>
Total financial assets available within one year	14,221,837	14,753,075
Less: Amounts unavailable for general expenditures within one year due to		
Donor restrictions		
Purpose restrictions	(57,621)	(57,621)
Board restrictions		
Board designated for operating reserves	(3,964,718)	(3,992,249)
Board designated for Chapter operations	(27,427)	(40,275)
Contractual obligations		
Noncancelable leases	(211,718)	(297,580)
Services contract	<u>(206,000)</u>	<u>(618,000)</u>
Total financial assets available to management for general expenditures within one year	<u>\$ 9,754,353</u>	<u>\$ 9,747,350</u>

As part of the Institute's liquidity management, it has a policy to structure its financial assets according to their nearness of conversion to cash and liabilities according to the nearness of their maturity and resulting use of cash.



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**SUPPLEMENTARY INFORMATION**

**Florida Institute of Certified Public Accountants and  
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Consolidating Schedules of Financial Position  
June 30, 2020 and 2019**

	<u>FICPA &amp; Chapters</u>	<u>CPA Service Corporation</u>	<u>FICPA Insurance Services, LLC</u>	<u>Eliminating Entries</u>	<u>2020 Total</u>	<u>2019 Total</u>
<b>Assets</b>						
Current assets						
Cash and cash equivalents	\$ 973,093	\$ 85	\$ 32,918	\$ -	\$ 1,006,096	\$ 1,800,789
Accounts receivable and accrued income	143,466	-	-	-	143,466	174,521
Prepaid expenses	<u>210,511</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>210,511</u>	<u>312,005</u>
Total current assets	1,327,070	85	32,918	-	1,360,073	2,287,315
Investments	13,104,703	32,893	-	(65,321)	13,072,275	12,777,765
Property and equipment, net	1,117,692	-	-	-	1,117,692	971,067
Other assets, net	<u>13,002</u>	<u>-</u>	<u>-</u>	<u>(575)</u>	<u>12,427</u>	<u>27,535</u>
Total assets	<u>\$ 15,562,467</u>	<u>\$ 32,978</u>	<u>\$ 32,918</u>	<u>\$ (65,896)</u>	<u>\$ 15,562,467</u>	<u>\$ 16,063,682</u>
<b>Liabilities and Net Assets</b>						
Current liabilities						
Accounts payable and accrued expenses	\$ 656,384	\$ 550	\$ 25	\$ (575)	\$ 656,384	\$ 983,965
Revenues received in advance						
Membership dues	1,073,853	-	-	-	1,073,853	1,699,281
Continuing professional education fees	48,696	-	-	-	48,696	99,136
Other	<u>87,703</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>87,703</u>	<u>55,791</u>
Total current liabilities	<u>1,866,636</u>	<u>550</u>	<u>25</u>	<u>(575)</u>	<u>1,866,636</u>	<u>2,838,173</u>
Net assets						
Common stock	-	10	10	(20)	-	-
Additional paid-in capital	-	654,262	24,225	(678,487)	-	-
Retained earnings	-	(621,844)	8,658	613,186	-	-
Without donor restrictions	13,638,210	-	-	-	13,638,210	13,167,888
With donor restrictions	<u>57,621</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>57,621</u>	<u>57,621</u>
Total net assets	<u>13,695,831</u>	<u>32,428</u>	<u>32,893</u>	<u>(65,321)</u>	<u>13,695,831</u>	<u>13,225,509</u>
Total liabilities and net assets	<u>\$ 15,562,467</u>	<u>\$ 32,978</u>	<u>\$ 32,918</u>	<u>\$ (65,896)</u>	<u>\$ 15,562,467</u>	<u>\$ 16,063,682</u>

See Independent Auditor's Report.

**Florida Institute of Certified Public Accountants and  
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Consolidating Schedules of Activities  
Years Ended June 30, 2020 and 2019**

	<u>FICPA</u>	<u>Chapters of FICPA</u>	<u>CPA Service Corporation</u>	<u>FICPA Insurance Services, LLC</u>	<u>Eliminating Entries</u>	<u>2020 Total</u>	<u>2019 Total</u>
Change in net assets without donor restrictions							
Revenues							
Membership dues	\$ 3,994,993	\$ -	\$ -	\$ -	\$ -	\$ 3,994,993	\$ 4,017,301
Continuing professional education programs	2,125,170	159,692	-	-	-	2,284,862	3,085,676
Peer review fees	383,094	-	-	-	-	383,094	380,177
Publications	81,858	-	-	-	-	81,858	101,021
Institute endorsed programs	165,061	-	-	-	-	165,061	137,606
Net gains on investments	183,712	-	-	-	-	183,712	723,518
Interest and dividends	310,552	-	-	-	-	310,552	290,352
Other	30,005	24,658	5,934	8,967	(14,901)	54,663	94,655
Total revenues	<u>7,274,445</u>	<u>184,350</u>	<u>5,934</u>	<u>8,967</u>	<u>(14,901)</u>	<u>7,458,795</u>	<u>8,830,306</u>
Expenses							
Program services							
Membership services	2,207,563	-	-	-	-	2,207,563	2,449,247
Continuing professional education	2,157,197	-	-	-	-	2,157,197	2,755,026
Chapter operations	-	285,275	-	-	-	285,275	414,899
Peer review services	420,862	-	-	-	-	420,862	390,131
Government affairs	546,141	-	-	-	-	546,141	534,829
Supporting services							
Management and administrative	1,371,435	-	-	3,033	(3,033)	1,371,435	1,190,793
Total expenses	<u>6,703,198</u>	<u>285,275</u>	<u>-</u>	<u>3,033</u>	<u>(3,033)</u>	<u>6,988,473</u>	<u>7,734,925</u>
Change in net assets without donor restrictions	571,247	(100,925)	5,934	5,934	(11,868)	470,322	1,095,381
Net assets							
Beginning of year	<u>13,274,185</u>	<u>(48,676)</u>	<u>26,494</u>	<u>26,959</u>	<u>(53,453)</u>	<u>13,225,509</u>	<u>12,130,128</u>
End of year	<u>\$ 13,845,432</u>	<u>\$ (149,601)</u>	<u>\$ 32,428</u>	<u>\$ 32,893</u>	<u>\$ (65,321)</u>	<u>\$ 13,695,831</u>	<u>\$ 13,225,509</u>

See Independent Auditor's Report.