



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, 2021 and 2020
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, 2021 and 2020**

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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 the 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, 2021 and 2020, the related consolidated statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to 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 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 consolidated financial position of the Florida Institute of Certified Public Accountants and Florida Institute of Accountants, Inc. and Subsidiary as of June 30, 2021 and 2020, 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, 2021 and 2020 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.

Withum Smith & Brown, PC

January 28, 2022

**Florida Institute of Certified Public Accountants and
Florida Institute of Accountants, Inc. and Subsidiary
Consolidated Statements of Financial Position
June 30, 2021 and 2020**

| | <u>2021</u> | <u>2020</u> |
|--|----------------------|----------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | \$ 1,983,589 | \$ 1,006,096 |
| Accounts receivable and accrued income | 145,910 | 143,466 |
| Prepaid expenses | <u>269,054</u> | <u>210,511</u> |
| Total current assets | 2,398,553 | 1,360,073 |
| Investments | 16,248,166 | 13,072,275 |
| Property and equipment, net | 1,192,920 | 1,117,692 |
| Other assets, net | <u>21,054</u> | <u>12,427</u> |
| Total assets | <u>\$ 19,860,693</u> | <u>\$ 15,562,467</u> |
| Liabilities and Net Assets | | |
| Current liabilities | | |
| Accounts payable and accrued expenses | \$ 519,637 | \$ 656,384 |
| Deferred revenues | | |
| Membership dues | 1,473,541 | 1,073,853 |
| Continuing professional education fees | 131,430 | 48,696 |
| Other | <u>100,999</u> | <u>87,703</u> |
| Total current liabilities | <u>2,225,607</u> | <u>1,866,636</u> |
| Net assets | | |
| Without donor restrictions | 17,577,465 | 13,638,210 |
| With donor restrictions | <u>57,621</u> | <u>57,621</u> |
| Total net assets | <u>17,635,086</u> | <u>13,695,831</u> |
| Total liabilities and net assets | <u>\$ 19,860,693</u> | <u>\$ 15,562,467</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, 2021 and 2020**

| | <u>2021</u> | <u>2020</u> |
|--|----------------------|----------------------|
| Change in net assets without donor restrictions | | |
| Revenues | | |
| Membership dues | \$ 3,742,582 | \$ 3,994,993 |
| Continuing professional education programs | 1,905,332 | 2,284,862 |
| Peer review fees | 461,156 | 383,094 |
| Publications | 93,282 | 81,858 |
| Institute endorsed programs | 227,117 | 165,061 |
| Net gains on investments | 2,867,851 | 183,712 |
| Interest and dividends | 308,536 | 310,552 |
| Other | <u>224,409</u> | <u>54,663</u> |
| Total revenues | <u>9,830,265</u> | <u>7,458,795</u> |
| Expenses | | |
| Program services | | |
| Membership services | 2,243,107 | 2,207,563 |
| Continuing professional education | 1,473,948 | 2,157,197 |
| Chapter operations | 116,167 | 285,275 |
| Peer review services | 393,888 | 420,862 |
| Government affairs | 481,898 | 546,141 |
| Supporting services | | |
| Management and administrative | <u>1,182,002</u> | <u>1,371,435</u> |
| Total expenses | <u>5,891,010</u> | <u>6,988,473</u> |
| Change in net assets without donor restrictions | 3,939,255 | 470,322 |
| Net assets | | |
| Beginning of year | <u>13,695,831</u> | <u>13,225,509</u> |
| End of year | <u>\$ 17,635,086</u> | <u>\$ 13,695,831</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, 2021 and 2020**

| | <u>2021</u> | <u>2020</u> |
|--|---------------------|---------------------|
| Operating activities | | |
| Change in net assets | \$ 3,939,255 | \$ 470,322 |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities | | |
| Depreciation and amortization | 141,954 | 80,536 |
| Loss on sale of property and equipment | 4,677 | 6,628 |
| Dividend reinvestments | (308,040) | (310,552) |
| Realized and unrealized gains on investments | (2,867,851) | (183,712) |
| Change in | | |
| Accounts receivable and accrued income | (2,444) | 31,055 |
| Prepaid expenses | (58,543) | 101,494 |
| Other assets | (8,627) | 15,108 |
| Accounts payable and accrued expenses | (136,747) | (327,582) |
| Deferred revenues | 495,718 | (643,956) |
| Net cash provided by (used in) operating activities | <u>1,199,352</u> | <u>(760,659)</u> |
| Investing activities | | |
| Purchases of property and equipment | (221,859) | (249,629) |
| Proceeds from sale of property and equipment | - | 15,840 |
| Purchases of investments | - | (858,874) |
| Proceeds from sales and maturities of investments | - | 1,058,629 |
| Net cash used in investing activities | <u>(221,859)</u> | <u>(34,034)</u> |
| Financing activities | | |
| Advances on line of credit | - | 767,406 |
| Repayments on line of credit | - | (767,406) |
| Net cash used in financing activities | <u>-</u> | <u>-</u> |
| Net change in cash and cash equivalents | 977,493 | (794,693) |
| Cash and cash equivalents | | |
| Beginning of year | <u>1,006,096</u> | <u>1,800,789</u> |
| End of year | <u>\$ 1,983,589</u> | <u>\$ 1,006,096</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, 2021**

| | Program Services | | | | | Management and Administrative | Total |
|--------------------------------|------------------------|---|-----------------------|-------------------------|-----------------------|-------------------------------------|---------------------|
| | Membership Services | Continuing Professional Education | Chapter Operations | Peer Review Services | Government Affairs | | |
| Advertising and promotions | \$ 12,420 | \$ 52,637 | \$ - | \$ - | \$ - | \$ - | \$ 65,057 |
| Consulting | 162,373 | 122,499 | - | 41,309 | 124,872 | 180,987 | 632,040 |
| Contributions and sponsorships | 229,982 | - | - | - | 1,500 | 190 | 231,672 |
| Copier and fax lease | 5,958 | 3,727 | - | 1,127 | 1,646 | 2,290 | 14,748 |
| Depreciation and amortization | 46,508 | 37,266 | - | 5,608 | 23,680 | 28,892 | 141,954 |
| Dues and subscriptions | 6,196 | 2,650 | - | 1,513 | 36,015 | 4,216 | 50,590 |
| Education | 2,816 | 3,333 | - | 1,305 | 261 | 5,548 | 13,263 |
| Facility and A/V rentals | 106,406 | 114,261 | 166 | 24,860 | 4,367 | 106,686 | 356,746 |
| Food and beverage | 5,324 | - | 9,534 | - | - | 257 | 15,115 |
| Honorariums | 2,704 | 75,552 | 1,160 | - | - | - | 79,416 |
| Insurance | 16,612 | 10,564 | - | 2,558 | 7,405 | 9,903 | 47,042 |
| Legal and accounting | - | - | - | - | - | 67,944 | 67,944 |
| Materials and royalties | 27 | 80,243 | 11,820 | - | - | - | 92,090 |
| Merchant fees | 68,442 | 44,178 | 1,628 | 3,835 | - | 13,182 | 131,265 |
| Miscellaneous | 54,047 | 20,228 | 1,157 | 1,874 | 1,650 | 12,513 | 91,469 |
| Office supplies | 1,153 | 767 | 20 | 106 | 173 | 466 | 2,685 |
| Postage | 39,974 | 7,302 | - | 485 | 27 | 3,134 | 50,922 |
| Printing | 22,854 | 825 | - | 72 | 232 | 1,188 | 25,171 |
| Repairs and maintenance | 8,428 | 6,521 | - | 2,259 | 11,945 | 7,101 | 36,254 |
| Salaries and benefits | 1,248,698 | 756,930 | 88,950 | 277,369 | 239,019 | 669,670 | 3,280,636 |
| Speaker expenses | 3,517 | 4,768 | 595 | - | - | - | 8,880 |
| Special events | - | - | 1,137 | - | - | - | 1,137 |
| Telephone and utilities | 8,065 | 4,794 | - | 1,253 | 6,349 | 6,564 | 27,025 |
| Travel and entertainment | 16,361 | 4,837 | - | 6,531 | 4,854 | 13,289 | 45,872 |
| Website and technology | 174,242 | 120,066 | - | 21,824 | 17,903 | 47,982 | 382,017 |
| | <u>\$ 2,243,107</u> | <u>\$ 1,473,948</u> | <u>\$ 116,167</u> | <u>\$ 393,888</u> | <u>\$ 481,898</u> | <u>\$ 1,182,002</u> | <u>\$ 5,891,010</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
Notes to Consolidated Financial Statements
June 30, 2021 and 2020**

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, 2021, 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
Florida Institute of Accountants, Inc. and Subsidiary
Notes to Consolidated Financial Statements
June 30, 2021 and 2020**

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 Adopted in Current Year

Revenue Recognition

The Financial Standards Accounting Board (“FASB”) issued new guidance that created Topic 606, *Revenue from Contracts with Customers*, in the Accounting Standards Codification (“ASC”). ASC 606 supersedes the prior revenue recognition requirements (codified as ASC 605, *Revenue Recognition*) and most industry specific guidance. ASC 606 established a core principle that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The Institute adopted the requirements of the new guidance as of July 1, 2020, utilizing the modified retrospective method of transition. No adjustment to net assets as of July 1, 2020 was necessary. The Institute applied the new guidance using the practical expedient provided in ASC 606 that allows the guidance to be applied only to contracts that were not complete as of July 1, 2020. Adoption of the new guidance resulted in minimal changes to the Institute’s accounting policies for revenue recognition, receivables, and deferred revenue.

Accounting Pronouncements Issued But Not Yet Adopted

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, 2021, approximately \$1,632,000 of cash and cash equivalents was uninsured.

**Florida Institute of Certified Public Accountants and
Florida Institute of Accountants, Inc. and Subsidiary
Notes to Consolidated Financial Statements
June 30, 2021 and 2020**

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, 2021 and 2020, 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 at an amount expected to be collected. Revenues from membership dues are recognized over the 12-month period to which they relate based on benefits transferred to members. Continuing education revenues are recognized at a point in time when the educational course has been held or the educational materials have been delivered. Peer review fees are recognized at a point in time 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.

The Institute has considered the economic factors affecting the nature, timing and uncertainty of revenue and cash flows, and concluded that there is no significant uncertainty with respect to its revenue streams.

**Florida Institute of Certified Public Accountants and
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Notes to Consolidated Financial Statements
June 30, 2021 and 2020**

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, 2021 and 2020, advertising expense was approximately \$65,000 and \$125,000, 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.

Subsequent Events

Subsequent events have been evaluated through January 28, 2022, 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.

**Florida Institute of Certified Public Accountants and
Florida Institute of Accountants, Inc. and Subsidiary
Notes to Consolidated Financial Statements
June 30, 2021 and 2020**

3. INVESTMENTS

Investments consist of the following at June 30, 2021 and 2020:

| | 2021 | | |
|--|----------------------------|-----------------------------|--|
| | Historical Cost | Unrealized Gains | Market and Carrying Value |
| Mutual funds invested in debt securities | \$ 1,946,222 | \$ 97,029 | \$ 2,043,251 |
| Mutual funds invested in equity securities | 3,139,153 | 2,893,008 | 6,032,161 |
| Exchange-traded funds invested in debt securities | 3,066,702 | 149,379 | 3,216,081 |
| Exchange-traded funds invested in equity securities | <u>2,381,390</u> | <u>2,575,283</u> | <u>4,956,673</u> |
| Total investments | <u>\$ 10,533,467</u> | <u>\$ 5,714,699</u> | <u>\$ 16,248,166</u> |
| | 2020 | | |
| | Historical Cost | Unrealized Gains | Market and Carrying Value |
| 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> |

Net gains on investments shown on the accompanying consolidated statements of activities consist of the following for the years ended June 30, 2021 and 2020:

| | 2021 | 2020 |
|--------------------------|---------------------|-------------------|
| Unrealized gains | \$ 2,867,851 | \$ 184,708 |
| Realized gains (losses) | <u>-</u> | <u>(996)</u> |
| Net gains on investments | <u>\$ 2,867,851</u> | <u>\$ 183,712</u> |

**Florida Institute of Certified Public Accountants and
Florida Institute of Accountants, Inc. and Subsidiary
Notes to Consolidated Financial Statements
June 30, 2021 and 2020**

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, 2021 and 2020.

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, 2021 and 2020:

| | <u>2021</u> | <u>2020</u> |
|---|--------------------------|--------------------------|
| Mutual funds invested in debt securities | | |
| Vanguard Short-Term Bond Index Fund | \$ 869,695 | \$ 867,010 |
| Vanguard Inter-Term Bond Index Fund | <u>1,173,556</u> | <u>1,175,632</u> |
| | <u>2,043,251</u> | <u>2,042,642</u> |
| Mutual funds invested in equity securities | | |
| Vanguard 500 Index Fund | 2,402,914 | 1,707,060 |
| Vanguard Small Cap Index Fund | 583,632 | 372,914 |
| Vanguard Mid Cap Index Fund | 430,500 | 251,509 |
| Vanguard Total International Stock Index Fund | 2,245,652 | 315,360 |
| Vanguard High Dividend Yield Index | <u>369,463</u> | <u>1,637,862</u> |
| | <u>6,032,161</u> | <u>4,284,705</u> |
| Exchange-traded funds invested in debt securities | | |
| iShares Floating Rate Bond | 54 | 54 |
| Vanguard Inter-Term Corporate Bond | 975,115 | 951,480 |
| Vanguard Short-Term Corporate Bond | <u>2,240,912</u> | <u>2,197,808</u> |
| | <u>3,216,081</u> | <u>3,149,342</u> |
| Exchange-traded funds invested in equity securities | | |
| Vanguard FTSE Emerging Markets | 197,143 | 140,543 |
| Vanguard Dividend Appreciation | 2,515,332 | 1,862,472 |
| iShares Core S&P 500 | <u>2,244,198</u> | <u>1,592,571</u> |
| | <u>4,956,673</u> | <u>3,595,586</u> |
| Total investments | <u>\$ 16,248,166</u> | <u>\$ 13,072,275</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, 2021 and 2020 are presented below:

| | <u>2021</u> | <u>2020</u> |
|---|---------------------|---------------------|
| Land | \$ 85,000 | \$ 85,000 |
| Building | 526,973 | 526,973 |
| Leasehold improvements | 74,994 | 60,872 |
| Furniture, fixtures, and equipment | 1,470,727 | 1,147,212 |
| Production and development costs in process | - | 268,066 |
| Less: Accumulated depreciation | <u>(964,774)</u> | <u>(970,431)</u> |
| Total property and equipment | <u>\$ 1,192,920</u> | <u>\$ 1,117,692</u> |

Depreciation and amortization expense totaled \$141,954 and \$80,536 for the years ended June 30, 2021 and 2020, respectively.

6. LINE OF CREDIT

Pursuant to an agreement with Hancock Bank, the Institute had available a \$500,000 unsecured line of credit, which expires in April 2022. The line of credit bears interest at the greater of 4.0% or the prime rate (3.25% at June 30, 2021). At June 30, 2021 and 2020, 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, 2021 and 2020, the Institute's contributions to the plan totaled approximately \$110,000 and \$72,000, respectively. For the years ended June 30, 2021 and 2020, plan contributions included approximately \$69,000 and \$28,000, 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 \$46,000 and \$135,000 at June 30, 2021 and 2020, respectively, resulting from approximately \$227,000 and \$644,000 of income tax net operating loss carryforwards unused at June 30, 2021 and 2020, respectively. Of these carryforwards, approximately \$164,000, \$12,000 and \$13,000 expire in 2022, 2023, and 2024, 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, 2021 and 2020. Therefore, there was no net deferred income tax benefit recognized by CPA Service Corporation for the years ended June 30, 2021 and 2020. The unused net operating loss is available to offset future taxable income of CPA Service Corporation and its subsidiary.

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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, 2021, 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, 2021 and 2020:

| | <u>2021</u> | <u>2020</u> |
|---|----------------------|----------------------|
| Undesignated | \$ 13,715,867 | \$ 9,646,065 |
| Board designated for operating reserves | 3,804,123 | 3,964,718 |
| Board designated for Chapter operations | <u>57,475</u> | <u>27,427</u> |
| | <u>\$ 17,577,465</u> | <u>\$ 13,638,210</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 totaling \$1,192,920 and \$1,117,692 at June 30, 2021 and 2020, 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.

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.

**Florida Institute of Certified Public Accountants and
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Notes to Consolidated Financial Statements
June 30, 2021 and 2020**

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, 2021 and 2020, the Institute held \$57,621 of contributions from members to support the Anti-Tax Initiative.

12. RELATED PARTIES

At June 30, 2021 and 2020, 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, 2021 and 2020:

| | <u>2021</u> | <u>2020</u> |
|--|------------------|------------------|
| Due to FICPA Scholarship Foundation, Inc. | \$ 1,631 | \$ 7,649 |
| Due to Florida CPA Political Action Committees | <u>17,371</u> | <u>14,621</u> |
| | <u>\$ 19,002</u> | <u>\$ 22,270</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, 2021 and 2020, the Institute contributed approximately \$228,000 and \$317,000, 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.

Commencing January 1, 2021, the Institute entered a noncancelable operating lease for office space in Orlando, Florida. The lease expires in January 2023 and requires escalating monthly lease payments ranging from approximately \$13,000 to \$14,000 through the duration of the lease. The lease allows for a 5-year renewal option through December 31, 2028.

Future minimum rental payments under leases with remaining terms in excess of one year at June 30, 2021 are as follows:

| | |
|------|-------------------|
| 2022 | \$ 372,672 |
| 2023 | <u>202,594</u> |
| | <u>\$ 575,266</u> |

Rental expense incurred under all operating leases, including short-term leases, for the years ended June 30, 2021 and 2020, was approximately \$309,000 and \$341,000, respectively.

**Florida Institute of Certified Public Accountants and
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Notes to Consolidated Financial Statements
June 30, 2021 and 2020**

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 engaged a firm to provide marketing, website management, and information technology support services. 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. The Institute terminated this agreement effective December 31, 2020. Expenses paid under this contract for the years ended June 30, 2021 and 2020 totaled approximately \$318,300 and \$857,500, respectively.

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, 2021 and 2020:

| | <u>2021</u> | <u>2020</u> |
|---|----------------------|---------------------|
| Cash and cash equivalents | \$ 1,983,589 | \$ 1,006,096 |
| Accounts receivable and accrued income | 145,910 | 143,466 |
| Investments | <u>16,248,166</u> | <u>13,072,275</u> |
| Total financial assets available within one year | 18,377,665 | 14,221,837 |
| 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 | (3,804,123) | (3,964,718) |
| Board designated for Chapter operations | (57,475) | (27,427) |
| Contractual obligations | | |
| Noncancelable leases | (372,672) | (211,718) |
| Services contract | <u>-</u> | <u>(206,000)</u> |
| Total financial assets available to management for general expenditures within one year | <u>\$ 14,085,774</u> | <u>\$ 9,754,353</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.



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
June 30, 2021 and 2020**

| | <u>FICPA & Chapters</u> | <u>CPA Service Corporation</u> | <u>FICPA Insurance Services, LLC</u> | <u>Eliminating Entries</u> | <u>2021 Total</u> | <u>2020 Total</u> |
|--|---------------------------------|------------------------------------|--|--------------------------------|-----------------------|-----------------------|
| Assets | | | | | | |
| Current assets | | | | | | |
| Cash and cash equivalents | \$ 1,944,647 | \$ 85 | \$ 38,857 | \$ - | \$ 1,983,589 | \$ 1,006,096 |
| Accounts receivable and accrued income | 145,829 | - | 81 | - | 145,910 | 143,466 |
| Prepaid expenses | <u>269,054</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>269,054</u> | <u>210,511</u> |
| Total current assets | 2,359,530 | 85 | 38,938 | - | 2,398,553 | 1,360,073 |
| Investments | 16,286,508 | 38,939 | - | (77,281) | 16,248,166 | 13,072,275 |
| Property and equipment, net | 1,192,920 | - | - | - | 1,192,920 | 1,117,692 |
| Other assets, net | <u>21,735</u> | <u>-</u> | <u>-</u> | <u>(681)</u> | <u>21,054</u> | <u>12,427</u> |
| Total assets | <u>\$ 19,860,693</u> | <u>\$ 39,024</u> | <u>\$ 38,938</u> | <u>\$ (77,962)</u> | <u>\$ 19,860,693</u> | <u>\$ 15,562,467</u> |
| Liabilities and Net Assets | | | | | | |
| Current liabilities | | | | | | |
| Accounts payable and accrued expenses | \$ 519,637 | \$ 681 | \$ - | \$ (681) | \$ 519,637 | \$ 656,384 |
| Revenues received in advance | | | | | | |
| Membership dues | 1,473,541 | - | - | - | 1,473,541 | 1,073,853 |
| Continuing professional education fees | 131,430 | - | - | - | 131,430 | 48,696 |
| Other | <u>100,999</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>100,999</u> | <u>87,703</u> |
| Total current liabilities | <u>2,225,607</u> | <u>681</u> | <u>-</u> | <u>(681)</u> | <u>2,225,607</u> | <u>1,866,636</u> |
| Net assets | | | | | | |
| Common stock | - | 10 | 10 | (20) | - | - |
| Additional paid-in capital | - | 654,262 | 24,225 | (678,487) | - | - |
| Retained earnings | - | (615,929) | 14,703 | 601,226 | - | - |
| Without donor restrictions | 17,577,465 | - | - | - | 17,577,465 | 13,638,210 |
| 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>17,635,086</u> | <u>38,343</u> | <u>38,938</u> | <u>(77,281)</u> | <u>17,635,086</u> | <u>13,695,831</u> |
| Total liabilities and net assets | <u>\$ 19,860,693</u> | <u>\$ 39,024</u> | <u>\$ 38,938</u> | <u>\$ (77,962)</u> | <u>\$ 19,860,693</u> | <u>\$ 15,562,467</u> |

See Independent Auditor's Report.

**Florida Institute of Certified Public Accountants and
Florida Institute of Accountants, Inc. and Subsidiary
Consolidating Schedules of Activities
Years Ended June 30, 2021 and 2020**

| | <u>FICPA</u> | <u>Chapters of FICPA</u> | <u>CPA Service Corporation</u> | <u>FICPA Insurance Services, LLC</u> | <u>Eliminating Entries</u> | <u>2021 Total</u> | <u>2020 Total</u> |
|--|----------------------|------------------------------|------------------------------------|--|--------------------------------|-----------------------|-----------------------|
| Change in net assets without donor restrictions | | | | | | | |
| Revenues | | | | | | | |
| Membership dues | \$ 3,742,582 | \$ - | \$ - | \$ - | \$ - | \$ 3,742,582 | \$ 3,994,993 |
| Continuing professional education programs | 1,846,897 | 58,435 | - | - | - | 1,905,332 | 2,284,862 |
| Peer review fees | 461,156 | - | - | - | - | 461,156 | 383,094 |
| Publications | 93,282 | - | - | - | - | 93,282 | 81,858 |
| Institute endorsed programs | 227,117 | - | - | - | - | 227,117 | 165,061 |
| Net gains on investments | 2,867,851 | - | - | - | - | 2,867,851 | 183,712 |
| Interest and dividends | 308,536 | - | - | - | - | 308,536 | 310,552 |
| Other | 193,886 | 30,523 | 6,046 | 9,330 | (15,376) | 224,409 | 54,663 |
| Total revenues | <u>9,741,307</u> | <u>88,958</u> | <u>6,046</u> | <u>9,330</u> | <u>(15,376)</u> | <u>9,830,265</u> | <u>7,458,795</u> |
| Expenses | | | | | | | |
| Program services | | | | | | | |
| Membership services | 2,243,107 | - | - | - | - | 2,243,107 | 2,207,563 |
| Continuing professional education | 1,473,948 | - | - | - | - | 1,473,948 | 2,157,197 |
| Chapter operations | - | 116,167 | - | - | - | 116,167 | 285,275 |
| Peer review services | 393,888 | - | - | - | - | 393,888 | 420,862 |
| Government affairs | 481,898 | - | - | - | - | 481,898 | 546,141 |
| Supporting services | | | | | | | |
| Management and administrative | 1,182,002 | - | 131 | 3,285 | (3,416) | 1,182,002 | 1,371,435 |
| Total expenses | <u>5,774,843</u> | <u>116,167</u> | <u>131</u> | <u>3,285</u> | <u>(3,416)</u> | <u>5,891,010</u> | <u>6,988,473</u> |
| Change in net assets without donor restrictions | 3,966,464 | (27,209) | 5,915 | 6,045 | (11,960) | 3,939,255 | 470,322 |
| Net assets | | | | | | | |
| Beginning 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> |
| End of year | <u>\$ 17,811,896</u> | <u>\$ (176,810)</u> | <u>\$ 38,343</u> | <u>\$ 38,938</u> | <u>\$ (77,281)</u> | <u>\$ 17,635,086</u> | <u>\$ 13,695,831</u> |

See Independent Auditor's Report.