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, 2019 and 2018
With Independent Auditors' Report

withum
ADVISORY TAX AUDIT

Florida Institute of Certified Public Accountants and
Florida Institute of Accountants, Inc. and Subsidiary
June 30, 2019 and 2018

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ADVISORY TAX AUDIT

INDEPENDENT AUDITORS' 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, 2019 and 2018, and 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.

Auditors' Responsibility

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

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

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

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, 2019 and 2018, 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the Institute adopted Accounting Standards Update ("ASU") No. 2016-14, Not-for-Profit Entities (Topic 958). Our opinion is not modified with respect to this matter.

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, 2019 and 2018 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

WithumSmith+Brown, PC

November 14, 2019

Florida Institute of Certified Public Accountants and Florida Institute of Accountants, Inc. and Subsidiary
Consolidated Statements of Financial Position
June 30, 2019 and 2018

	2019	2018
Assets		
Current assets		
Cash and cash equivalents	$ 1,800,789	$ 603,736
Accounts receivable and accrued income	174,521	230,264
Prepaid expenses	312,005	312,475
Total current assets	2,287,315	1,146,475
Investments	12,777,765	11,205,215
Property and equipment, net	971,067	803,358
Other assets, net	27,535	24,285
Total assets	$ 16,063,682	$ 13,179,333
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	$ 983,965	$ 885,036
Revenues received in advance		
Membership dues	1,699,281	--
Continuing professional education fees	105,636	118,739
Other	49,291	45,430
Total current liabilities	2,838,173	1,049,205
Net assets		
Without donor restrictions	13,167,888	12,072,507
With donor restrictions	57,621	57,621
Total net assets	13,225,509	12,130,128
Total liabilities and net assets	$ 16,063,682	$ 13,179,333

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, 2019 and 2018

	2019	2018
Change in net assets without donor restrictions		
Revenues		
Membership dues	$ 4,017,301	$ 4,099,458
Continuing professional education programs	3,085,676	2,989,673
Peer review fees	380,177	368,200
Publications	101,021	104,263
Institute endorsed programs	137,606	191,351
Net gains on investments	723,518	675,602
Interest and dividends	290,352	246,154
Other	94,655	129,616
Gain on sale-leaseback	--	128,317
Total revenues	8,830,306	8,932,634
Expenses		
Program services		
Membership services	2,449,247	2,610,402
Continuing professional education	2,755,026	2,960,100
Chapter operations	414,899	429,777
Peer review services	390,131	382,444
Government affairs	534,829	512,781
Supporting services		
Management and administrative	1,190,793	1,205,834
Total expenses	7,734,925	8,101,338
Change in net assets without donor restrictions	1,095,381	831,296
Change in net assets without donor restrictions	1,095,381	831,296
Net assets		
Beginning of year	12,130,128	11,298,832
End of year	$ 13,225,509	$ 12,130,128

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, 2019 and 2018

	2019	2018
Cash flows from operating activities		
Change in net assets	$ 1,095,381	$ 831,296
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	101,191	88,833
Loss (gain) on sale of property and equipment	(906)	4,206
Amortization of deferred gain on sale-leaseback	--	(128,318)
Dividend reinvestments	(290,492)	(246,139)
Realized and unrealized gains on investments	(723,518)	(675,602)
(Increase) decrease in		
Accounts receivable and accrued income	55,743	(97,477)
Prepaid expenses	470	(113,513)
Other assets	(3,250)	(24,285)
Increase (decrease) in		
Accounts payable and accrued expenses	98,929	58,323
Deferred revenues	1,690,039	(2,792,606)
Rental deposits	--	--
Net cash provided by (used in) operating activities	2,023,587	(3,095,282)
Cash flows from investing activities		
Purchases of property and equipment	(269,284)	(563,814)
Proceeds from sale of property and equipment	1,290	6,200
Purchases of investments	(1,199,861)	(1,455,312)
Proceeds from sales and maturities of investments	641,321	2,556,900
Net cash provided by (used in) investing activities	(826,534)	543,974
Net change in cash and cash equivalents	1,197,053	(2,551,308)
Cash and cash equivalents		
Beginning of year	603,736	3,155,044
End of year	$ 1,800,789	$ 603,736

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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						
	Membership Services	Continuing Professional Education	Chapter Operations	Peer Review Services	Government Affairs	Management and Administrative	Total
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
Total expenses	$ 2,449,247	$ 2,755,026	$ 414,899	$ 390,131	$ 534,829	$ 1,190,793	$ 7,734,925

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, 2018

	Program Services						
	Membership Services	Continuing Professional Education	Chapter Operations	Peer Review Services	Government Affairs	Management and Administrative	Total
Advertising and promotions	$ 13,536	$ 123,640	$ 1,707	$ --	$ --	$ --	$ 138,883
Consulting	340,891	221,438	--	5,504	130,550	154,538	852,921
Contributions and sponsorships	252,536	469	28,147	--	2,000	1,437	284,589
Copier and fax lease	7,618	5,108	--	1,553	1,832	3,108	19,219
Depreciation and amortization	31,716	25,187	--	3,531	10,015	18,384	88,833
Dues and subscriptions	8,565	3,263	128	4,262	27,830	5,045	49,093
Education	15,670	8,920	--	4,788	8,170	15,167	52,715
Facility and A/V rentals	161,571	387,514	10,979	27,048	17,111	105,101	709,324
Food and beverage	116,639	683,395	210,442	2,593	--	2,721	1,015,790
Honorariums	--	128,415	8,500	--	--	--	136,915
Insurance	23,992	14,589	--	3,663	6,473	11,798	60,515
Legal and accounting	--	--	--	--	--	47,074	47,074
Materials and royalties	1,050	116,413	15,315	--	--	--	132,778
Merchant fees	22,903	67,816	6,746	2,864	--	9,564	109,893
Miscellaneous	26,151	20,206	10,564	1,995	5,103	49,594	113,613
Office supplies	1,921	5,978	834	137	255	2,668	11,793
Postage	44,498	7,923	223	723	56	3,164	56,587
Printing	28,467	2,555	--	298	229	1,020	32,569
Repairs and maintenance	18,046	12,714	--	3,646	7,749	14,879	57,034
Salaries and benefits	1,274,343	871,391	80,283	288,113	254,698	676,467	3,445,295
Speaker expenses	6,698	123,975	4,282	--	--	--	134,955
Special events	--	12,074	51,453	--	--	--	63,527
Telephone and utilities	11,137	5,640	--	1,836	4,591	5,134	28,338
Travel and entertainment	114,445	44,886	174	10,004	25,073	40,545	235,127
Website and technology	88,009	66,591	--	19,886	11,046	38,426	223,958
Total expenses	$ 2,610,402	$ 2,960,100	$ 429,777	$ 382,444	$ 512,781	$ 1,205,834	$ 8,101,338

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

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:

<u>Without donor restrictions</u> – 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.

<u>With donor restrictions</u> – 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, 2019, 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.

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 Pronouncement Adopted in Current Year

During 2019, the Institute adopted ASU 2016-14 – Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. This guidance is intended to improve the net asset classification requirements and the information presented in the consolidated financial statements and notes about a not-for-profit’s liquidity, financial performance, and cash flows. The main provisions of this guidance include: presentation of two classes of net assets versus the previously required three; recognition of capital gifts for construction as a net asset without donor restrictions when the associated long-lived asset is placed in service; and the recognition of underwater endowment funds as a reduction in net assets with donor restrictions. This guidance also enhances disclosures for board designated endowments, composition of net assets without donor restrictions, liquidity, and presentation of expenses by both their natural and functional classification. The Institute applied ASU 2016-14 retrospectively. A recap of the prior year net asset classifications driven by the adoption of ASU 2016-14 as of June 30, 2018 is as follows:

	As of June 30, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total Net Assets
Net Asset Classifications			
Unrestricted	$ 12,072,507	$ --	$ 12,072,507
Temporarily Restricted	--	57,621	57,621
Net assets as previously reported	$ 12,072,507	$ 57,621	$ 12,130,128

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 is effective for annual periods beginning after December 15, 2018, using either of the following transition methods: (i) a full retrospective approach reflecting the application of the standard in each prior reporting period with the option to elect certain practical expedients, or (ii) a retrospective approach with the cumulative effect of initially adopting ASU 2014-09 recognized at the date of adoption (which includes additional footnote disclosures). The Institute is currently evaluating the impact of its pending adoption of ASU 2014-09 on its 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 is effective for fiscal years beginning after December 15, 2020. 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, 2019, approximately $1,219,000 of cash and cash equivalents was uninsured.

Accounts Receivable and Accrued Income

The Institute is a professional association which grants credit to members who use the continuing professional education and peer review services offered by the Institute. The Institute also grants credit to customers for advertisements in the *Florida CPA Today* magazine. Accounts receivable are stated at estimated net realizable value. For certain trade receivables over 30 days past due, an interest rate of 1.5% is applied against the outstanding balance. After 120 days past due, accounts are generally turned over to a third-party collection agency and a valuation allowance is set up. The allowance, if necessary, is based on the Institute's historic write-offs, the present economic conditions, and the perceived financial stability of its members. Specific accounts, generally no more than one year past due, are written off once determined uncollectible by the collection agency and management. At June 30, 2019 and 2018, 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.

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, 2019 and 2018, advertising expense was approximately $123,000 and $139,000, respectively.

Income Taxes

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

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

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

Reclassifications
Certain accounts in the 2018 presentation of the statement of functional expenses have been reclassified to conform with the current year presentation.

Subsequent Events
Subsequent events have been evaluated through November 14, 2019, the date the consolidated financial statements were available to be issued. Based upon this evaluation, other than disclosed, the Institute has determined that no other subsequent events have occurred which require adjustment to or disclosure in the consolidated financial statements.

3. INVESTMENTS

Investments consist of the following at June 30, 2019 and 2018:

	2019		
	Historical Cost	Unrealized Gains (Losses)	Market and Carrying Value
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	2,454,184	1,187,415	3,641,599
Total investments	$ 10,115,624	$ 2,662,141	$ 12,777,765

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

Net gains on investments shown on the accompanying consolidated statements of activities consist of the following for the years ended June 30, 2019 and 2018:

	2019	2018
Unrealized gains	$ 721,099	$ 551,495
Realized gains	2,419	124,107
Net gains on investments	$ 723,518	$ 675,602

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, 2019 and 2018.

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

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

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

The following table sets forth the Institute’s Level 1 investments measured at fair value at June 30, 2019 and 2018:

	2019	2018
Mutual funds invested in debt securities		
Vanguard Short-Term Bond Index Fund	$ 1,060,181	$ 1,007,547
Vanguard Inter-Term Bond Index Fund	1,064,926	968,183
	2,125,107	1,975,730
Mutual funds invested in equity securities		
Vanguard Federal Money Market fund	1,203,923	572
Vanguard 500 Index Fund	1,588,231	1,438,999
Vanguard Small Cap Index Fund	395,026	386,287
Vanguard Total International Stock Index Fund	328,824	326,963
Vanguard High Dividend Yld Index	1,753,309	1,614,355
	5,269,313	3,767,176
Exchange-traded funds invested in debt securities		
IShares Floating Rate Bond	30,247	29,448
Vanguard Inter-Term Corporate Bond	870,103	779,995
Vanguard Short-Term Corporate Bond	841,396	791,793
	1,741,746	1,601,236
Exchange-traded funds invested in equity securities		
Vanguard FTSE Emerging Markets	146,286	141,330
Vanguard Dividend Appreciation	1,774,226	1,527,552
Guggenheim S&P 500 Equal Weight	--	638,902
Ishares Core S&P 500	1,721,087	1,553,289
	3,641,599	3,861,073
Total investments	$ 12,777,765	$ 11,205,215

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.

5. PROPERTY AND EQUIPMENT

The components of property and equipment at June 30, 2019 and 2018 are presented below:

	2019	2018
Land	$ 85,000	$ 85,000
Building	526,973	340,798
Leasehold improvements	60,872	70,959
Furniture, fixtures, and equipment	1,204,666	1,194,606
Less accumulated depreciation	(906,444)	(888,005)
Total property and equipment	$ 971,067	$ 803,358

Depreciation expense totaled approximately $101,000 and $89,000 for the years ended June 30, 2019 and 2018, respectively.

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

6. SALE-LEASEBACK TRANSACTION

In January 2016, the Institute sold and leased back certain land and an office building. Proceeds of approximately $3,972,000 were received in connection with the sale, which were net of seller incurred closing costs of approximately $28,000. The carrying value of the land and building sold was approximately $2,042,000. In accordance with FASB ASC 840, *Leases,* the Institute accounted for the transaction as a sale-leaseback and recognized a gain of approximately $1,427,000 and a deferred gain of approximately $503,000. The deferred gain was amortized over the expected life of the building lease which expired December 31, 2017 (see Note 14). For the year ended June 30, 2018, amortization of the deferred gain totaled approximately $128,000.

7. 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 April 2019 and was renewed through May 2020. The line of credit bears interest at the greater of 5.0% or the prime rate (5.50% at June 30, 2019). At June 30, 2019 and 2018, there was no outstanding balance.

8. 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, 2019 and 2018, the Institute's contributions to the plan totaled approximately $97,000 and $100,000, respectively. For the years ended June 30, 2019 and 2018, plan contributions included approximately $57,000 and $49,000, respectively, of discretionary profit sharing contributions.

9. 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 $136,000 and $138,000 at June 30, 2019 and 2018, respectively, resulting from approximately $650,000 and $656,000 of income tax net operating loss carryforwards unused at June 30, 2019 and 2018, respectively. Of these carryforwards, approximately $169,000, $253,000, and $164,000 expire in 2020, 2021, and 2022, respectively. The remaining amounts expire at various times between 2023 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, 2019 and 2018. Therefore, there was no net deferred income tax benefit recognized by CPA Service Corporation for the years ended June 30, 2019 and 2018.

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, 2019, the Institute has no uncertain tax positions that qualify for either recognition or disclosure in the consolidated financial statements.

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

10. 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.

11. 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, 2019 and 2018:

	2019	2018
Undesignated	$ 9,135,364	$ 7,992,123
Board designated for operating reserves	3,992,249	4,016,338
Board designated for Chapter operations	40,275	64,046
	$ 13,167,888	$ 12,072,507

Operating Reserves

During 2010, the Board, the Finance and Office Advisory Subcommittee ("FOA"), and the FICPA Council ("Council") approved an operating reserve policy to be funded from net assets without donor restrictions excluding the carrying value of property and equipment ($969,992 and $803,358 at June 30, 2019 and 2018, 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 set aside operating funds necessary to sustain financial operations in the unanticipated event of significant unbudgeted increases in expenses and/or losses in revenues. These reserve funds may only be used following a recommendation from the FOA or Board and ratification from the Council. During financial hardship, the Institute may utilize the funds as needed to assist in balancing the annual budget.

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 Institute's Board of Governors.

12. 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 both June 30, 2019 and 2018, the Institute held $57,621 of contributions from members to support the Anti-Tax Initiative.

13. RELATED PARTIES

At June 30, 2019 and 2018, 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, 2019 and 2018:

	2019	2018
Due to (from) FICPA Scholarship Foundation, Inc.	$ 10,238	$ (13,469)
Due to Florida CPA Political Action Committees	17,381	1,951
	$ 27,619	$ (11,518)

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, 2019 and 2018, the Institute contributed approximately $251,000 and $250,000, respectively, of services related to administrative support which has been included in membership services in the consolidated statements of activities.

14. COMMITMENTS AND CONTINGENCIES

Operating Leases

As Lessee

The Institute leased office space under a noncancelable operating lease resulting from a sale-leaseback transaction (see Note 6) which expired December 31, 2017.

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

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

Future minimum rental payments under leases with remaining terms in excess of one year at June 30, 2019 are as follows:

Year Ending June 30,	
2020	$ 297,580
2021	300,410
2022	304,654
2023	155,474
	$ 1,058,118

Rental expense incurred under all operating leases for the years ended June 30, 2019 and 2018, was approximately $300,000 and $269,000, respectively, net of amortization of approximately zero and $128,000 (see Note 6), respectively.

Conference and Hotel Agreements

During the ordinary course of business, the Institute executes agreements with hotels and conference centers for future events. These agreements contain financial penalties for termination of the contract as well as minimum financial guarantees related to room and food/beverage sales. At June 30, 2019, management has no intentions to terminate any of the existing agreements. Additionally, in the case of an unforeseen cancellation, management believes the resulting costs would not be material to the consolidated financial statements.

Marketing, Website, and Information Technology Services Contract

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, 2019 and 2018 totaled approximately $716,300 and $671,500, respectively.

15. 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, 2019 and 2018:

	2019	2018
Cash and cash equivalents	$ 1,800,789	$ 603,736
Accounts receivable and accrued income	174,521	230,264
Investments	12,777,765	11,205,215
Total financial assets available within one year	14,753,075	12,039,215
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	(3,992,249)	(4,016,338)
Board designated for Chapter operations	(40,275)	(64,046)
Contractual obligations		
Noncancelable leases	(297,580)	(290,863)
Services contract	(618,000)	(660,000)
Total financial assets available to management for general expenditures within one year	$ 9,747,350	$ 6,950,347

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, 2019 and 2018

	FICPA & Chapters	CPA Service Corporation	FICPA Insurance Services, LLC	Eliminating Entries	2019 Total	2018 Total
Assets						
Current assets						
Cash and cash equivalents	$ 1,771,056	$ 85	$ 29,648	$ --	$ 1,800,789	$ 603,736
Accounts receivable and accrued income	173,921	--	600	--	174,521	230,264
Prepaid expenses	312,005	--	--	--	312,005	312,475
Total current assets	2,256,982	85	30,248	--	2,287,315	1,146,475
Investments	12,804,259	26,959	--	(53,453)	12,777,765	11,205,215
Property and equipment, net	971,067	--	--	--	971,067	803,358
Other assets, net	31,374	--	--	(3,839)	27,535	24,285
Total assets	$ 16,063,682	$ 27,044	$ 30,248	$ (57,292)	$ 16,063,682	$ 13,179,333
Liabilities and Net Assets						
Current liabilities						
Accounts payable and accrued expenses	$ 983,965	$ 550	$ 3,289	$ (3,839)	$ 983,965	$ 885,036
Revenues received in advance						
Membership dues	1,699,281	--	--	--	1,699,281	--
Continuing professional education fees	105,636	--	--	--	105,636	118,739
Other	49,291	--	--	--	49,291	45,430
Total current liabilities	2,838,173	550	3,289	(3,839)	2,838,173	1,049,205
Net assets						
Common stock	--	10	10	(20)	--	--
Additional paid-in capital	--	654,262	24,225	(678,487)	--	--
Retained earnings	--	(627,778)	2,724	625,054	--	--
Without donor restrictions	13,167,888	--	--	--	13,167,888	12,072,507
With donor restrictions	57,621	--	--	--	57,621	57,621
Total net assets	13,225,509	26,494	26,959	(53,453)	13,225,509	12,130,128
Total liabilities and net assets	$ 16,063,682	$ 27,044	$ 30,248	$ (57,292)	$ 16,063,682	$ 13,179,333

See Independent Auditors' Report.

Florida Institute of Certified Public Accountants and Florida Institute of Accountants, Inc. and Subsidiary
Consolidating Schedules of Activities
Years Ended June 30, 2019 and 2018

	FICPA	Chapters of FICPA	CPA Service Corporation	FICPA Insurance Services, LLC	Eliminating Entries	2019 Total	2018 Total
Change in net assets without donor restrictions							
Revenues							
Membership dues	$ 4,017,301	$ --	$ --	$ --	$ --	$ 4,017,301	$ 4,099,458
Continuing professional education programs	2,816,666	269,010	--	--	--	3,085,676	2,989,673
Peer review fees	380,177	--	--	--	--	380,177	368,200
Publications	101,021	--	--	--	--	101,021	104,263
Institute endorsed programs	137,606	--	--	--	--	137,606	191,351
Net gains on investments	723,518	--	--	--	--	723,518	675,602
Interest and dividends	290,352	--	--	--	--	290,352	246,154
Other	61,488	33,167	6,767	10,571	(17,338)	94,655	129,616
Gain on sale-leaseback	--	--	--	--	--	--	128,317
Total revenues	8,528,129	302,177	6,767	10,571	(17,338)	8,830,306	8,932,634
Expenses							
Program services							
Membership services	2,449,247	--	--	--	--	2,449,247	2,610,402
Continuing professional education	2,755,026	--	--	--	--	2,755,026	2,960,100
Chapter operations	--	414,899	--	--	--	414,899	429,777
Peer review services	390,131	--	--	--	--	390,131	382,444
Government affairs	534,829	--	--	--	--	534,829	512,781
Supporting services							
Management and administrative	1,190,793	--	550	3,803	(4,353)	1,190,793	1,205,834
Total expenses	7,320,026	414,899	550	3,803	(4,353)	7,734,925	8,101,338
Change in net assets without donor restrictions	1,208,103	(112,722)	6,217	6,768	(12,985)	1,095,381	831,296
Net assets							
Beginning of year	12,066,082	64,046	20,277	20,191	(40,468)	12,130,128	11,298,832
End of year	$ 13,274,185	$ (48,676)	$ 26,494	$ 26,959	$ (53,453)	$ 13,225,509	$ 12,130,128

See Independent Auditors' Report.