

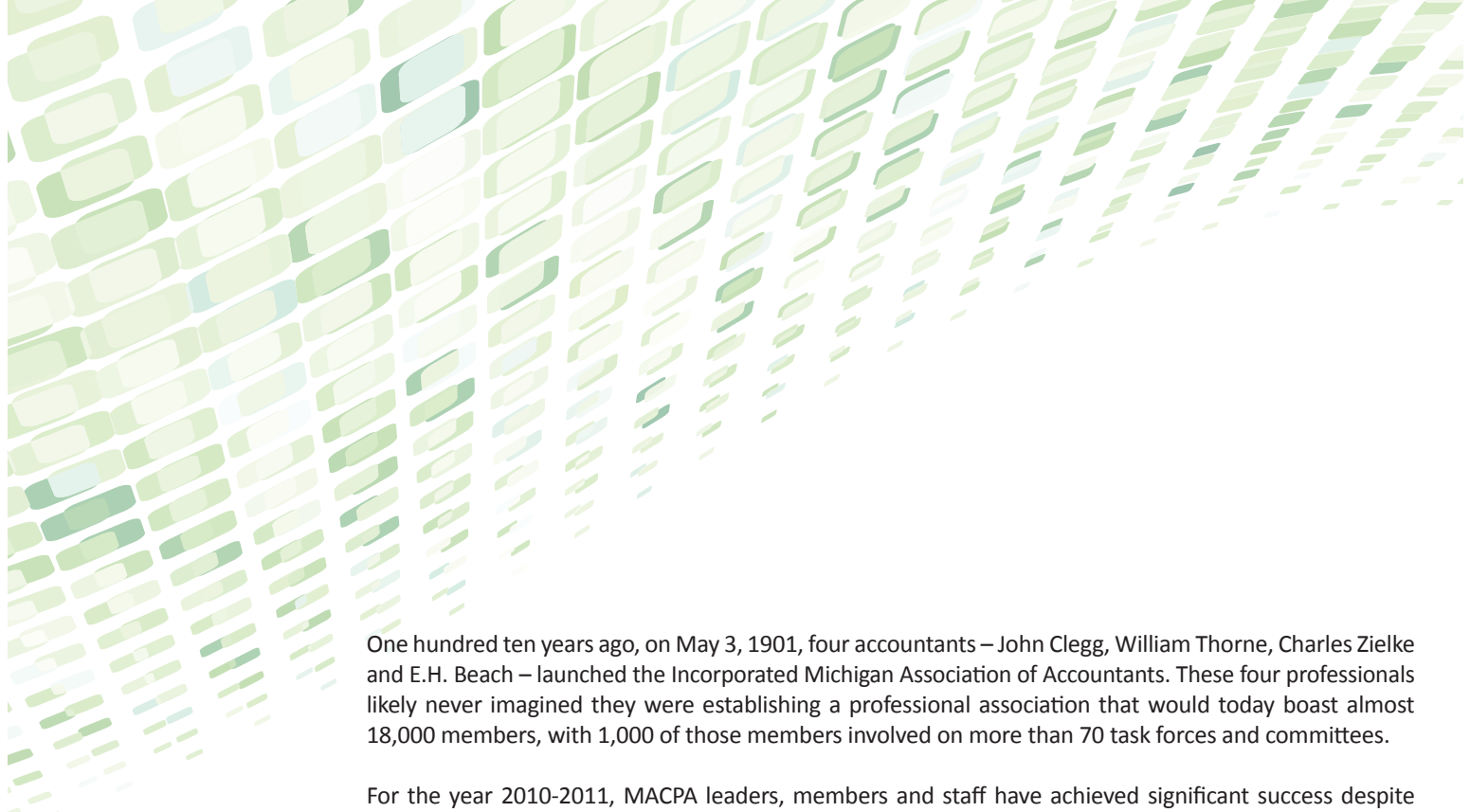
2010-2011

Michigan Association of CPAs
PRESIDENT'S REPORT

The Michigan Association of

MACPA

Certified Public Accountants



One hundred ten years ago, on May 3, 1901, four accountants – John Clegg, William Thorne, Charles Zielke and E.H. Beach – launched the Incorporated Michigan Association of Accountants. These four professionals likely never imagined they were establishing a professional association that would today boast almost 18,000 members, with 1,000 of those members involved on more than 70 task forces and committees.

For the year 2010-2011, MACPA leaders, members and staff have achieved significant success despite the external challenges. With a Strategic Plan providing direction, the MACPA has sustained a high level of support and dedication from volunteers, and a continued focus on initiatives, services and activities to meet member needs.

From a financial perspective, budget expectations were surpassed at the operational level, while year-end overall results including special projects and investments results show a smaller net loss than planned. In total, \$7.4 million in total revenue was generated from continuing education programs, dues, peer review, sponsorships, affinity programs, advertising and other income. Careful management of expenditures complimented efforts in generating revenues.

It is especially exciting as we mark this 110th Anniversary that a CPA has taken the helm as Michigan's governor for the first time ever in the state and only the third time in our nation's history. We are proud that Governor Rick Snyder is utilizing his CPA experience to help return our state to fiscal stability and economic vitality; and we are committed to serving as a resource in his efforts.

During the past year, the Association has remained resilient to the economic turbulence, always maintaining its focus on bringing high-quality, timely education and benefits to all segments of our membership, interacting with state and federal legislators, and reaching out to students, educators and the community to promote the profession and contribute to our communities. This Report provides an overview of these significant programs and activities.

The MACPA is very fortunate to have an extremely dedicated group of volunteers who spend countless hours devoted to the profession and the Association. With the incredible determination, knowledge, and passion of our leadership, members, partners and staff, we can, and will, continue on a path of success for another 110 years.

Very Truly Yours,



Peggy A. Dzierzawski, CAE
President and CEO



MACPA Strategic Plan

With a long-standing commitment to strategic thinking and planning, the Board of Directors in conjunction with other Association leaders adopted a new Strategic Plan in January 2009, commencing in April 2009. Now entering its second of a three-year scope, the Plan provides a dynamic roadmap. Continually monitored and updated, the 2009-2012 Plan reflects the following initiatives:

ADVOCACY: Strengthen MACPA's advocacy and influence in the public policy-making process.

SERVING A DIVERSE MEMBERSHIP: Integrate increasingly diverse membership needs throughout the work of MACPA.

SUCCESSION PLANNING FOR THE PROFESSION: Secure the future of the profession and the MACPA.

CONTINUING PROFESSIONAL EDUCATION: Enhance MACPA's position as a preferred source of continuing professional education (CPE) and development.

COMMUNICATION AND IMAGE: Enable cohesive communications that ensure consistent implementation of all strategic initiatives in relation to public image, MACPA branding, marketing and outreach efforts.

The Michigan Association of CPAs Fiscal Year-End Comparisons

From a financial perspective and for a fiscal year that did not include a CPE reporting period, the Association fundamentally met its overall objective in operations and special projects. The net operating loss of \$175,353 results primarily from a 1.17% shortfall from projected revenues in CPE, dues and advertising. Despite the extraordinary amount of staff time invested in the Association's infrastructure to keep it robust, the need for a skilled workforce, solidly marketed course offerings, and developing programs to meet the needs of an evolving and diversified membership base, overall expenditures were well managed and approximately \$64,000 or .79% under budget for the year. The total net change including a net outlay of \$451,788 in special projects and realized and unrealized investment gains of \$200,003, the year ended with an excess of expenditures over revenues of \$427,138.

Given the need to purchase and the efforts to implement a new database and updated accounting system for the start of fiscal 2011, MACPA's financial resources were in high demand. The change to update and strengthen the MACPA's operational software applications for member records, data management and reporting, and for business and accounting functions was investigated and planned over a period of 18-24 months. Management of the project, travel, and other related costs of the project were accounted for in special projects, while the costs to purchase and configure the software specifically to meet MACPA unique requirements were capitalized and will be depreciated over ten years. In all, approximately \$1.1 million was invested in the implementation, including staff time. The decision was made to utilize Association reserves for much of this project as well as a line of credit for short-term cash requirements.

	<u>2010 - 2011</u>	2009 - 2010	<u>2008 - 2009</u>	2007 - 2008
REVENUE				
Dues	\$2,601,938	\$2,544,827	\$2,505,832	\$2,456,157
Seminar/Webinar Registrations	2,024,222	2,609,363	2,461,536	2,549,044
Conference Registrations	1,458,758	1,556,406	1,603,381	1,782,907
Peer Review	403,050	358,479	328,885	342,103
Member Service Programs	193,479	205,118	218,451	242,548
Advertising	23,498	30,530	45,530	58,785
Sponsorships	149,782	143,050	137,350	173,350
Interest Income	128,643	100,702	230,772	235,158
Exhibitor Fees	143,900	157,225	161,585	142,835
Other	91,075	74,110	80,634	117,734
TOTAL REVENUE	\$7,218,345	\$7,779,810	\$7,773,956	\$8,100,621
EXPENSES				
Seminars	2,078,691	2,324,655	2,145,124	2,208,263
Conferences	1,594,538	1,635,087	1,866,482	1,758,281
Peer Review	346,773	317,325	304,518	310,534
Membership	1,631,078	1,558,044	1,506,027	1,372,055
G & A	1,742,618	1,812,069	1,805,661	1,832,582
TOTAL OPERATING EXPENSES	\$7,393,698	\$7,647,180	\$7,627,812	\$7,481,715
EXCESS (DEFICIENCY) OF OPERATING REVENUE OVER EXPENSES	(\$175,353)	\$132,630	\$146,144	\$618,906
Special Projects Revenue*	216,405	206,714	218,000	159,953
Special Projects Expenses*	668,193	416,061	559,331	478,866
Net Special Projects*	(\$451,788)	(\$209,347)	(\$341,331)	(\$318,913)
EXCESS REVENUE / (EXPENSES) BEFORE INVESTMENT RESULTS	(\$627,141)	(\$76,717)	(\$195,187)	\$299,993
INVESTMENT GAIN / (LOSS)	200,003	408,144	(973,263)	160,344
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	(\$427,138)	\$331,427	(\$1,168,450)	\$460,337

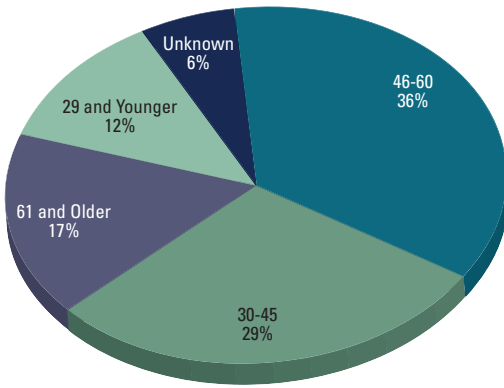
Bolded headings indicate years that include a CPE reporting deadline.

* Special Projects are considered every year and include community activities such as Accounting Aid Society, High School Leadership, events and support to the Michigan Accountancy Foundation as well as other initiatives that enhance and promote the value of MACPA members to society. As noted above, certain (one-time) expenses associated with the new database system utilized special project funds during 2010-2011. Certain research and development projects are also considered.

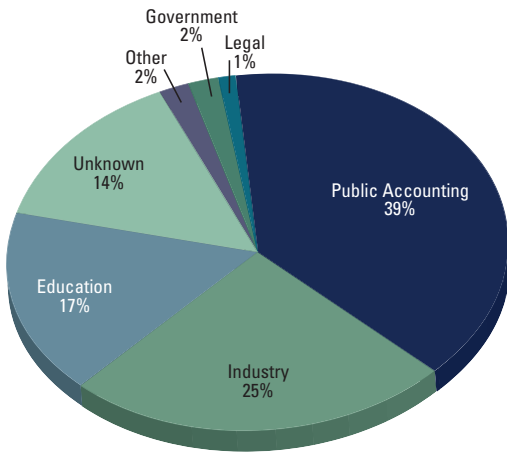
Membership

Membership numbers held steady at 17,710 at the end of March in spite of the economic challenges of the last few years. MACPA's efforts in recruiting students and CPA candidates have been fruitful, leading us to guide their transition to full-fledged fellow members. At the same time, continuing to engage our core membership base, regardless of demographics, is always at a heightened level so that the growth we have experienced over the last 110 years will continue well into the future.

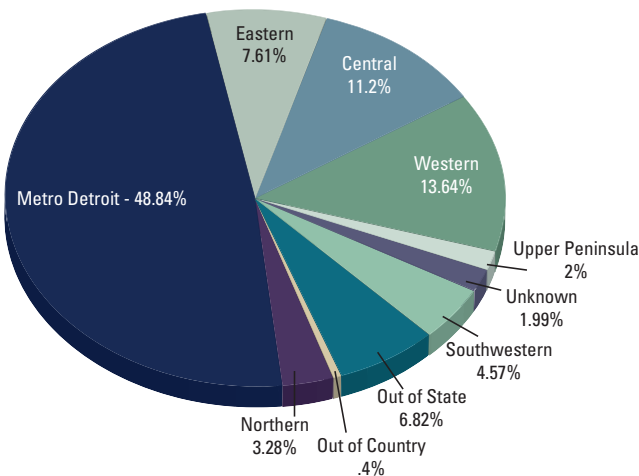
AGE



BREAKDOWN OF BUSINESS



LOCATION



110 Years Serving CPAs in Michigan

MACPA Membership Growth 1901-2011

Year	Membership
1901	4
1910	22
1920	47
1930	163
1940	309
1950	908
1951 - 50th Anniversary	1,017
1960	1,988
1970	3,201
1976 - 75th Anniversary	5,000
1980	6,666
1990	11,500
1991 - 90th Anniversary	12,000
2001 - 100th Anniversary	15,260
2011 - 110th Anniversary	17,710

MACPA's very high retention rate of 95.6% of CPA members is a testament to the value of benefits and services provided.

Continuing Professional Education

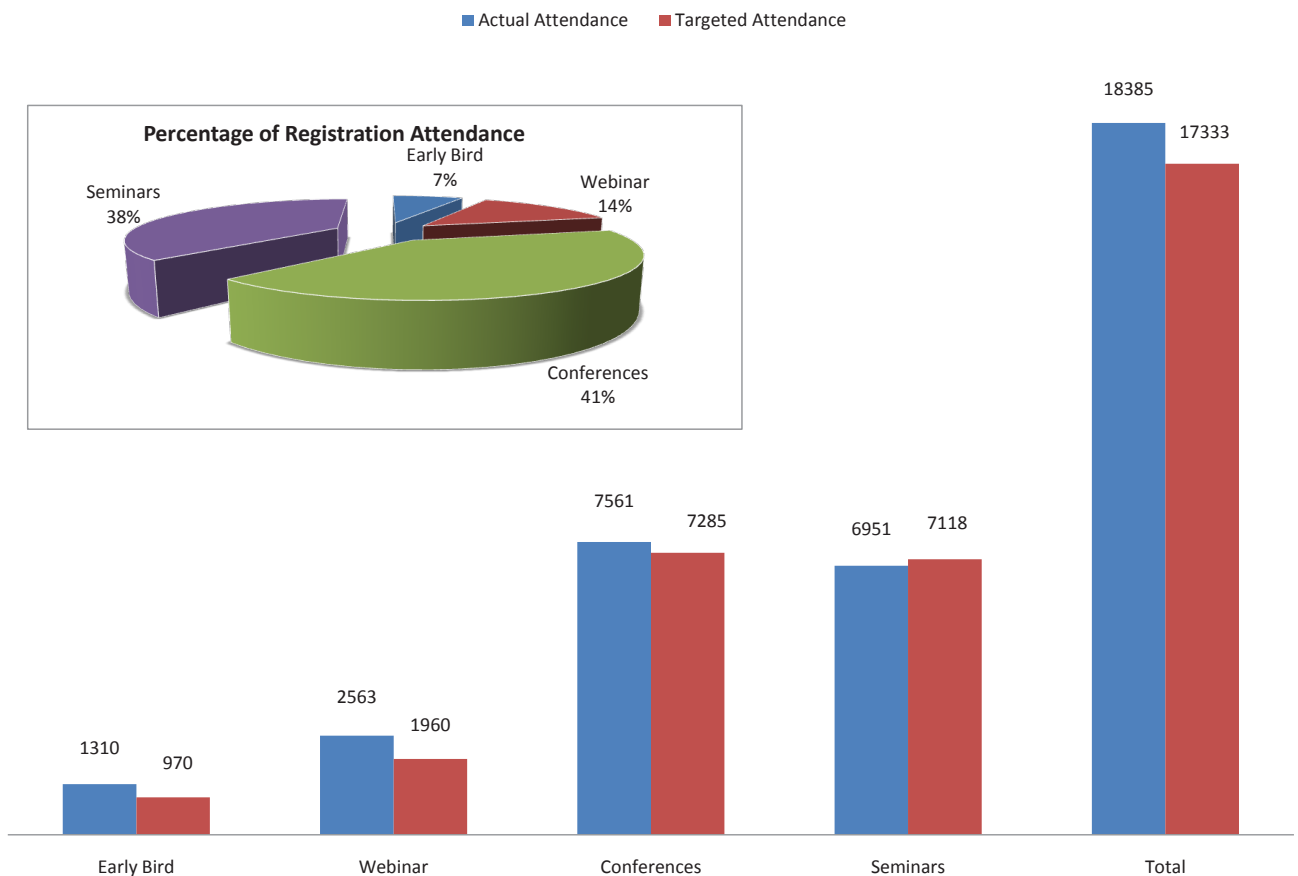
High quality and innovative CPE programming continues to be at the core of MACPA's value proposition for its members. Utilizing many talented task force volunteers who possess comprehensive understanding of subject matter, the MACPA worked aggressively to address member educational needs with cutting edge programming. The Association's reputation for quality programs at a fair price, coupled with targeted marketing strategies and high profile speakers and topics, resulted in strong CPE attendance and revenues exceeding budget projections in several areas. Our portfolio of conferences, seminars, webinars and customized training attracted nearly 19,000 attendees, a solid result in a non-reporting year.

Conferences. With a 29-year history, the Management Information & Business Shows continue to be the MACPA's single largest event. The two-day event features dozens of breakouts and the state's largest tradeshow, attracting 1,632 finance and accounting professionals. The second and third

largest conferences are Michigan Tax (508 attendees) and the Governmental Accounting and Auditing (481 attendees). Several first-time conferences addressed particular interest areas including Specialized Business Valuation Forum, ElderCare Planning Forum and the Insurance Conference. Two of these events also featured simulcasts. In all, conference attendance topped 7,500 registrants. Participation in stand-alone early-bird ethics sessions remained strong at 1,310 attendees.

Seminars. Popular Tax Season Updates with Steve Dilley offered in numerous locations on several dates were the top attention-getters on the seminar roster, offering attendees the opportunity to learn the latest on the 2010 Tax Relief, Unemployment Insurance Reauthorization & Job Creation Act. Programming for members in Business and Industry was expanded with the addition of 11 new seminars aimed at that target group. In all, 272 seminar programs drew 6,951 attendees.

April 1, 2010 - March 31, 2011 CPE Registration Attendance



Continuing Professional Education *(continued)*

Webinars. A cost-effective and convenient medium for education, webinars continued to attract strong participation in FY2010-11. Webinars drew 2,563 participants, exceeding projections by 603 registrants. Some of the most popular webinar topics for 2010 were Accounting Scams & Scandals Update; Take the Time – Answers for Your Clients’ Health Reform Questions; and Forensic Accounting Update.

Customized Training Solutions (CTS). An offshoot of continuing professional education now in its fourth year, Customized Training Solutions (in-house training) has experienced consistent growth. Utilizing CTS as a means of in-house training, firms save money as well as provide consistent messaging to all participants. In FY 2010-11, CTS held a total of 27 events with 465 participants. The most popular topics were tax updates, staff development, accounting and auditing updates and IFRS.

Spotlight on CPE

The dedication and expertise of our many task force members who help plan our programming is what distinguishes MACPA’s CPE events. A few of the year’s highlights are showcased below:

- > Created and launched several first-time conferences including Specialized Business Valuation Forum, ElderCare Planning Forum and Insurance Conference. Two of these events also featured simulcasts. Simulcasts are broadcast live as a webinar; however, the CPE credit is the same as live group study, with no need for testing.
- > Offered 11 new Business & Industry seminars on such topics as Controllers Profit Building Toolkit; IFRS in a Day; and Acquisitions to Grow the Business: Structure, Due Diligence & Financing.
- > Presented more than 10 social networking sessions (via conferences and webinars).
- > Utilized Joe Louis Arena, The Palace and Ford Field as seminar venues that included special tours or photo opportunities.

Commentary on Other Initiatives and Key Issues

The Election

The November 2, 2010 election put our state’s future on a new path – a path that placed CPAs on the forefront of change. For the first time in Michigan history, and only the third time nationwide, a CPA – Rick Snyder – was elected Governor; in addition, four CPAs were elected to the State House. As a result, the profession took a strong position to bring significant financial expertise to the table to help rebuild our state.

As an elusive economic recovery continued to take a toll on Michigan, the new administration shared big ideas for reinventing Michigan’s economy and returning the state to fiscal stability and economic vitality. The MACPA stepped forward to be part of these efforts by responding to the call for assistance and sharing the expertise of our members through a Michigan Turnaround Task Force. The group focused on initiatives such as providing recommendations for the creation of a citizen-friendly Comprehensive Annual Financial Report (CAFR). The resulting Citizen’s Guide – released in late January offered an easy to understand, comprehensive look at the current state of finances in Michigan.

Commentary on Other Initiatives and Key Issues *(continued)*

Other Advocacy Issues

Occupational Code Reform – Working with officials from the Michigan Licensing Division and members of the State Board of Accountancy, the MACPA was successful in passing significant legislative changes to the Michigan Occupational Code regulating CPA certification in Michigan. The most substantive changes included:

- Allowing experience gained in industry to qualify for original certification, bringing Michigan’s rules in line with a vast majority of other states.
- Implementing a ‘4 in 10’ rule to the process for obtaining a reciprocal practice certificate.

Tax Preparer Registration – Beginning January 1, 2011, use of a new or renewed Preparer Tax Identification Number (PTIN) became mandatory for all federal tax returns and claims for refund prepared by anyone who met the IRS definition of “preparer.” The PTIN requirement, which applied to CPAs, was just one aspect of a broader effort by the IRS to regulate the tax return preparation industry. Due to efforts of the AICPA and state societies, CPAs, both signers and non-signers, are exempt from the continuing education (CE) and testing components of the program.

Building Grassroots Involvement – Primarily due to term limits, almost two-thirds of the members of the State Legislature possess two years or less of experience. This represented an unprecedented need – and opportunity – for the MACPA to strengthen existing relationships and build new relationships with our state legislators, particularly with those who would assume leadership positions within both chambers. In anticipation of this major turnover, our legislative team – including the Legislative Advisory Group, government relations staff, and grassroots team – worked hard at developing those relationships and increasing the grassroots involvement of members to strengthen our efforts.

Other Advocacy Efforts – The MACPA has continued to reinforce its advocacy efforts through the Lansing office. Our presence in the State Capitol was especially valuable in building relationships with new legislators and working with the State Board on multiple regulatory changes, including the Occupational Code reform. In addition, MACPA’s dedicated Legislative Advisory Group and government affairs staff continued to represent the profession and provided extensive updates to members (through E-News, Leaders’ Edge, direct mail, targeted email and phone calls) on issues such as clarifying CPA exemption from the Professional Investigator Act, changes to the MBT, threats to professional liability exposure, FTC “Red Flags Rule” and more.

Members have strengthened their financial commitment to MACPA’s Political Action Committee (PAC) and the Political Education Fund (PEF), allowing the Association to distribute nearly \$150,000 in MACPA PAC contributions to like-minded candidates for state-level office. Combined PAC/PEF contributions (measured in calendar year) were at an all-time record high of \$137,466, topping the \$100,000 mark for the third year in a row. The average PAC contribution increased from \$74 to more than \$80, also an all-time record high. This generous commitment of dollars strengthens MACPA’s position as a major player in Michigan’s public policy arena.

Association Infrastructure

In early 2010, the MACPA Board of Directors made a necessary move to strengthen the MACPA’s infrastructure by approving the investment for the purchase and implementation of new software systems for member records and management, as well as for business and accounting functions. The new system – Aptify – replaced 12-year-old software whose outdated architecture could not be adapted to leverage modern day technologies. Throughout 2010 and early 2011, the MACPA staff worked diligently to document business processes, and plan and execute a changeover to the new system to successfully meet a target launch date of April 1, 2011.

Future of the Profession

Pathways to a Profession – While focusing on the future is vital to our state, it is critical at the professional level as well. The AICPA and the American Accounting Association formed a Commission on Accounting Higher Education: Pathways to a Profession. This commission is working to identify strategies and structures to ensure that we have an adequate supply of the best, most diverse talent to sustain the accounting profession over the long-term. Michigan CPA Leslie Murphy, a past chair of the AICPA and a former board member of the Michigan Association of CPAs, has been tapped to serve as one of six commissioners on this project.

Student Recruitment

Student outreach and recruitment remains a high priority for the Association. A broad range of special projects – including programs, communications, and public service and image efforts – are designed to reach students and educators. In many cases, alliances with other organizations played a key role in our success with this initiative. A focal point in student recruitment efforts, our High School Leaders Conferences (HSLC) attracted 379 students from 40 high schools. Events were held at Western Michigan, Wayne State, and Oakland universities. Post-program evaluations remain very positive, showing that 95% of student attendees will consider a career in accounting.

Because educators play such an important role in students' career choices, outreach to college and high school educators is advantageous in our recruitment efforts. College educators

are invited to two special events each year – a May conference provided practical teaching tools and classroom practices and a November symposium through the Michigan Accountancy Foundation (MAF) focuses on issues facing the profession. The scope and national perspective of this year's event was expanded featuring past AICPA Chair Bill Ezzell, along with two other out-of-state experts, Frank Lordi from Widener University in Pennsylvania, a frontrunner in teaching financial literacy in colleges; and Gary Fish from Illinois State University and the Illinois Board of Examiners, who worked on changes to the CPA Exam and provided an update on those changes.

Educators are also afforded opportunities to bring CPAs into the classroom, and they are invited to bring students to numerous special meetings, such as the Spring and Fall Members Advisory Symposiums.

MAF Scholarships

The Michigan Accountancy Foundation plays a key role in supporting student recruitment efforts with its Fifth/Graduate Year Scholarship program designed to assist students in funding the additional education required under the 150-hour rule. Scholarships of \$3,000 each were awarded to 37 promising young recipients from 12 different schools, bringing the total amount granted since the program's 2003 inception to \$817,000. In addition, funding from the Big 4 provided for minority scholarships allowing both MAF and MACPA to positively impact their strategic goals for diversity.

Spotlight on Community Outreach

In Michigan, there's a strong CPA volunteer base helping in our communities. For CPAs, it's more than about numbers. It's about making a difference and giving back. The MACPA is proud to provide additional avenues for members to reach out, including these examples from this past year:

- > The MACPA expanded its partnership with Hospice of Michigan through participation in two races – Walk and Remember in Grand Rapids and Race and Remember in Detroit.
- > Hospice of Michigan honored the MACPA as an outstanding community partner with the Crystal Rose Award for Community Partnership from, providing members an opportunity for recognition at the Crystal Rose Ball in October.
- > The Navy Tax Assistance program expanded to four dates, allowing for more volunteer participation and the ability to reach out to more military personnel and their families.
- > The taxpayer awareness brochure was updated and revised. Expanded promotion of its availability of English and Spanish versions to legislators resulted in a significantly larger distribution (2,379 brochures distributed through early March).