# MGMA-ACMPE, MGMA CENTER FOR RESEARCH, INC., MGMA REALTY CORP., MGMA SERVICES, INC., AND ACMPE SCHOLARSHIP FUND, INC.

## CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

## YEARS ENDED JUNE 30, 2019 AND 2018

**MGMA-ACMPE, MGMA CENTER FOR RESEARCH, INC., MGMA REALTY CORP., MGMA SERVICES, INC., AND ACMPE SCHOLARSHIP FUND, INC.**
**TABLE OF CONTENTS**
**YEARS ENDED JUNE 30, 2019 AND 2018**

CliftonLarsonAllen LLP
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## INDEPENDENT AUDITORS' REPORT

Board of Directors
MGMA-ACMPE, MGMA Center for Research, Inc.,
MGMA Realty Corp., MGMA Services, Inc., and
ACMPE Scholarship Fund, Inc.
Englewood, Colorado

### Report on the Financial Statements

We have audited the accompanying consolidated financial statements of MGMA-ACMPE, MGMA Center for Research, Inc., MGMA Realty Corp., MGMA Services, Inc., and ACMPE Scholarship Fund, Inc., (collectively, the Association), which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 audit 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 auditor considers internal control relevant to the entity'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 entity'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.

Board of Directors
MGMA-ACMPE, MGMA Center for Research, Inc.,
MGMA Realty Corp., MGMA Services, Inc., and
ACMPE Scholarship Fund, Inc.

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

***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of MGMA-ACMPE, MGMA Center for Research, Inc., MGMA Realty Corp., MGMA Services, Inc., and ACMPE Scholarship Fund, Inc. 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 - Change in Accounting Principle**

As discussed in Note 1 to the consolidated financial statements, management adopted Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. Accordingly, the change has been retrospectively applied to prior periods presented as if the policy had always been used with the exception of the liquidity footnote, which has only been presented for fiscal year 2019. Our opinion is not modified with respect to that matter.

**Report on Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The 2019 and 2018 consolidating statements of changes in net assets as listed in the table of contents 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.

CliftonLarsonAllen LLP

**CliftonLarsonAllen LLP**

Denver, Colorado
March 3, 2020

**MGMA-ACMPE, MGMA CENTER FOR RESEARCH, INC., MGMA REALTY CORP., MGMA SERVICES, INC., AND ACMPE SCHOLARSHIP FUND, INC.**
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**
**JUNE 30, 2019 AND 2018**

| | 2019 | 2018 |
|---|---|---|
| **ASSETS** | | |
| **CURRENT ASSETS** | | |
| Cash and Cash Equivalents | $ 2,627,713 | $ 3,620,727 |
| Investments | 26,991,732 | 25,485,025 |
| Accounts Receivable, Net of Allowance of $70,000 in 2019 and 2018 | 2,980,950 | 3,251,445 |
| Prepayments | 992,294 | 900,863 |
| Total Current Assets | 33,592,689 | 33,258,060 |
| **PROPERTY AND EQUIPMENT** | | |
| Building | 5,961,065 | 5,961,065 |
| Furniture and Equipment | 6,168,533 | 5,357,929 |
| Land | 820,745 | 820,745 |
| Construction in Progress | - | 455,772 |
| Subtotal | 12,950,343 | 12,595,511 |
| Less: Accumulated Depreciation and Amortization | (10,102,745) | (9,520,253) |
| Net Property and Equipment | 2,847,598 | 3,075,258 |
| **OTHER ASSETS** | | |
| Restricted Investments | 756,645 | 755,515 |
| Deferred Compensation | 55,093 | 111,693 |
| Deferred Tax Asset | 867,894 | - |
| Other Long-Term Assets | 27,884 | 42,691 |
| Total Other Assets | 1,707,516 | 909,899 |
| Total Assets | $ 38,147,803 | $ 37,243,217 |

*See accompanying Notes to Consolidated Financial Statements.*

**MGMA-ACMPE, MGMA CENTER FOR RESEARCH, INC., MGMA REALTY CORP., MGMA SERVICES, INC., AND ACMPE SCHOLARSHIP FUND, INC.**
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)**
**JUNE 30, 2019 AND 2018**

| | 2019 | 2018 |
|---|---|---|
| **LIABILITIES AND NET ASSETS** | | |
| **CURRENT LIABILITIES** | | |
| Accounts Payable | $ 422,203 | $ 1,159,462 |
| Accrued Liabilities | 2,833,214 | 2,171,888 |
| Current Portion of Obligations Under Capital Leases | 11,988 | 11,420 |
| Unearned Revenue - Membership Dues | 4,667,939 | 4,667,423 |
| Unearned Revenue - Fees and Services | 4,300,760 | 4,231,901 |
| Total Current Liabilities | 12,236,104 | 12,242,094 |
| **LONG-TERM LIABILITIES** | | |
| Long-Term Obligations Under Capital Leases | 2,776 | 14,764 |
| Total Long-Term Liabilities | 2,776 | 14,764 |
| Total Liabilities | 12,238,880 | 12,256,858 |
| **NET ASSETS** | | |
| Without Donor Restrictions | 24,707,182 | 23,801,721 |
| With Donor Restrictions | 1,201,741 | 1,184,638 |
| Total Net Assets | 25,908,923 | 24,986,359 |
| Total Liabilities and Net Assets | $ 38,147,803 | $ 37,243,217 |

*See accompanying Notes to Consolidated Financial Statements.*

**MGMA-ACMPE, MGMA CENTER FOR RESEARCH, INC., MGMA REALTY CORP., MGMA SERVICES, INC., AND ACMPE SCHOLARSHIP FUND, INC.**
**CONSOLIDATED STATEMENT OF ACTIVITIES**
**YEAR ENDED JUNE 30, 2019**

| | 2019 | | |
|---|---|---|---|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| **SUPPORT AND REVENUE** | | | |
| Information and Publication Services | $ 12,999,419 | $ - | $ 12,999,419 |
| Less: Costs of Goods Sold | (76,006) | | (76,006) |
| Net Information and Publication Services | 12,923,413 | - | 12,923,413 |
| Membership Dues | 8,705,943 | - | 8,705,943 |
| Conference and Education Services | 6,995,985 | - | 6,995,985 |
| Consulting Services | 711,146 | - | 711,146 |
| Membership Lists and Affinity Revenue | 460,257 | - | 460,257 |
| Executive Partnership Revenue | 46,387 | - | 46,387 |
| Grants and Other Contributions | - | 1,130 | 1,130 |
| Certification Services | 492,956 | - | 492,956 |
| Other | 2,063 | - | 2,063 |
| Net Assets Released from Restrictions | 35,000 | (35,000) | - |
| Total Support and Revenue | 30,373,150 | (33,870) | 30,339,280 |
| **EXPENSES** | | | |
| Program Services: | | | |
| Membership Services | 2,883,680 | - | 2,883,680 |
| Conference and Education Services | 8,964,083 | - | 8,964,083 |
| Information and Publication Services | 3,955,909 | - | 3,955,909 |
| Consulting Services | 1,715,363 | - | 1,715,363 |
| Government Affairs | 2,907,198 | - | 2,907,198 |
| Scholarship Awards | 35,000 | - | 35,000 |
| Certification Services | 500,195 | - | 500,195 |
| Total Program Services | 20,961,428 | - | 20,961,428 |
| Supporting Services: | | | |
| Management and General | 9,031,467 | - | 9,031,467 |
| Marketing | 1,649,664 | - | 1,649,664 |
| Committees | 197,690 | - | 197,690 |
| Total Supporting Services | 10,878,821 | - | 10,878,821 |
| Total Expenses | 31,840,249 | - | 31,840,249 |
| **CHANGES IN NET ASSETS FROM OPERATIONS** | (1,467,099) | (33,870) | (1,500,969) |
| Gain on Deferred Tax Asset | 917,522 | - | 917,522 |
| Investment Income | 522,630 | 25,016 | 547,646 |
| Net Realized/Unrealized Gain on Investments | 932,408 | 25,957 | 958,365 |
| **CHANGES IN NET ASSETS** | 905,461 | 17,103 | 922,564 |
| Net Assets - Beginning of Year | 23,801,721 | 1,184,638 | 24,986,359 |
| **NET ASSETS - END OF YEAR** | $ 24,707,182 | $ 1,201,741 | $ 25,908,923 |

*See accompanying Notes to Consolidated Financial Statements.*

## MGMA-ACMPE, MGMA CENTER FOR RESEARCH, INC., MGMA REALTY CORP., MGMA SERVICES, INC., AND ACMPE SCHOLARSHIP FUND, INC.
## CONSOLIDATED STATEMENT OF ACTIVITIES
## YEAR ENDED JUNE 30, 2018

| | 2018 | | |
|---|---|---|---|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| **SUPPORT AND REVENUE** | | | |
| Information and Publication Services | $ 11,254,499 | $ - | $ 11,254,499 |
| Less: Costs of Goods Sold | (200,490) | | (200,490) |
| | 11,054,009 | - | 11,054,009 |
| Membership Dues | 8,986,936 | - | 8,986,936 |
| Conference and Education Services | 6,229,934 | - | 6,229,934 |
| Consulting Services | 1,279,913 | - | 1,279,913 |
| Membership Lists and Affinity Revenue | 627,495 | - | 627,495 |
| Executive Partnership Revenue | 265,193 | - | 265,193 |
| Grants and Other Contributions | - | 847 | 847 |
| Certification Services | 511,637 | - | 511,637 |
| Other | 14,660 | - | 14,660 |
| Net Assets Released from Restrictions | 33,000 | (33,000) | - |
| Total Support and Revenue | 29,002,777 | (32,153) | 28,970,624 |
| **EXPENSES** | | | |
| Program Services: | | | |
| Membership Services | 2,493,020 | - | 2,493,020 |
| Conference and Education Services | 8,055,703 | - | 8,055,703 |
| Information and Publication Services | 4,126,441 | - | 4,126,441 |
| Consulting Services | 2,239,948 | - | 2,239,948 |
| Government Affairs | 2,979,504 | - | 2,979,504 |
| Scholarship Awards | 33,000 | - | 33,000 |
| Certification Services | 474,392 | - | 474,392 |
| Total Program Services | 20,402,008 | - | 20,402,008 |
| Supporting Services: | | | |
| Management and General | 8,164,052 | - | 8,164,052 |
| Marketing | 1,422,999 | - | 1,422,999 |
| Committees | 176,459 | - | 176,459 |
| Total Supporting Services | 9,763,510 | - | 9,763,510 |
| Total Expenses | 30,165,518 | - | 30,165,518 |
| **CHANGES IN NET ASSETS FROM OPERATIONS** | (1,162,741) | (32,153) | (1,194,894) |
| Investment Income | 420,809 | 18,711 | 439,520 |
| Net Realized/Unrealized Gain on Investments | 1,931,584 | 68,298 | 1,999,882 |
| **CHANGES IN NET ASSETS** | 1,189,652 | 54,856 | 1,244,508 |
| Net Assets - Beginning of Year | 22,612,069 | 1,129,782 | 23,741,851 |
| **NET ASSETS - END OF YEAR** | $ 23,801,721 | $ 1,184,638 | $ 24,986,359 |

*See accompanying Notes to Consolidated Financial Statements.*

# MGMA-ACMPE, MGMA CENTER FOR RESEARCH, INC., MGMA REALTY CORP., MGMA SERVICES, INC., AND ACMPE SCHOLARSHIP FUND, INC.
# CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
# YEAR ENDED JUNE 30, 2019

| | 2019 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Program Services | | | | | | | | Supporting | | | |
| | Membership Services | Conference and Education Services | Information and Publication Services | Consulting Services | Government Affairs | Scholarship Awards | Certification Services | Total Program Services | Management and General | Marketing | Committees | Total |
| Salaries and Benefits | $ 2,056,262 | $ 3,406,014 | $ 2,442,677 | $ 1,040,250 | $ 1,703,064 | $ - | $ 151,705 | $ 10,799,972 | $ 5,939,885 | $ 359,287 | $ - | $ 17,099,144 |
| Supplies and Travel | 206,411 | 3,536,545 | 320,182 | 132,598 | 143,467 | 35,000 | 245,153 | 4,619,356 | 2,580 | 169,099 | 158,540 | 4,949,575 |
| Services and Professional Fees | 424,122 | 1,563,018 | 914,200 | 425,188 | 495,450 | - | 70,574 | 3,892,552 | 1,906,231 | 1,121,278 | 39,150 | 6,959,211 |
| Office and Occupancy | 129,470 | 302,023 | 233,344 | 77,092 | 502,968 | - | 21,544 | 1,266,441 | 842,086 | - | - | 2,108,527 |
| Depreciation and Interest | 67,415 | 156,483 | 121,512 | 40,235 | 62,249 | - | 11,219 | 459,113 | 340,685 | - | - | 799,798 |
| Total Expenses by Function | $ 2,883,680 | $ 8,964,083 | $ 4,031,915 | $ 1,715,363 | $ 2,907,198 | $ 35,000 | $ 500,195 | $ 21,037,434 | $ 9,031,467 | $ 1,649,664 | $ 197,690 | $ 31,916,255 |
| Less: Expenses Included with Revenues on the Consolidated Statements of Activities: Cost of Goods Sold- Publications | - | - | (76,006) | - | - | - | - | (76,006) | - | - | - | (76,006) |
| Total Expenses Included in the Expense Section on the Consolidated Statements of Activities | $ 2,883,680 | $ 8,964,083 | $ 3,955,909 | $ 1,715,363 | $ 2,907,198 | $ 35,000 | $ 500,195 | $ 20,961,428 | $ 9,031,467 | $ 1,649,664 | $ 197,690 | $ 31,840,249 |

*See accompanying Notes to Consolidated Financial Statements.*

# MGMA-ACMPE, MGMA CENTER FOR RESEARCH, INC., MGMA REALTY CORP., MGMA SERVICES, INC., AND ACMPE SCHOLARSHIP FUND, INC.
# CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
# YEAR ENDED JUNE 30, 2018

| | 2018 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Program Services | | | | | | | | Supporting Services | | | |
| | Membership Services | Conference and Education Services | Information and Publication Services | Consulting Services | Government Affairs | Scholarship Awards | Certification Services | Total Program Services | Management and General | Marketing | Committees | Total |
| Salaries and Benefits | $ 1,736,654 | $ 3,214,077 | $ 2,090,936 | $ 1,283,576 | $ 1,696,488 | $ - | $ 95,643 | $ 10,117,374 | $ 5,578,070 | $ 230,728 | $ - | $ 15,926,172 |
| Supplies and Travel | 168,745 | 2,800,800 | 1,275,366 | 150,667 | 155,916 | 33,000 | 51,276 | 4,635,770 | 159,184 | 246,452 | 129,705 | 5,171,111 |
| Services and Professional Fees | 401,447 | 1,433,962 | 665,673 | 635,568 | 545,206 | - | 293,089 | 3,974,945 | 1,572,546 | 945,819 | 46,651 | 6,539,961 |
| Office and Occupancy | 96,027 | 396,323 | 152,869 | 88,493 | 483,009 | - | 17,735 | 1,234,456 | 407,859 | - | 103 | 1,642,418 |
| Depreciation and Interest | 90,147 | 210,541 | 142,087 | 81,644 | 98,885 | - | 16,649 | 639,953 | 446,393 | - | - | 1,086,346 |
| Total Expenses by Function | $ 2,493,020 | $ 8,055,703 | $ 4,326,931 | $ 2,239,948 | $ 2,979,504 | $ 33,000 | $ 474,392 | $ 20,602,498 | $ 8,164,052 | $ 1,422,999 | $ 176,459 | $ 30,366,008 |
| Less: Expenses Included with Revenues on the Consolidated Statements of Activities: Cost of Goods Sold- Publications | - | - | (200,490) | - | - | - | - | (200,490) | - | - | - | (200,490) |
| Total Expenses Included in the Expense Section on the Consolidated Statements of Activities | $ 2,493,020 | $ 8,055,703 | $ 4,126,441 | $ 2,239,948 | $ 2,979,504 | $ 33,000 | $ 474,392 | $ 20,402,008 | $ 8,164,052 | $ 1,422,999 | $ 176,459 | $ 30,165,518 |

*See accompanying Notes to Consolidated Financial Statements.*

**MGMA-ACMPE, MGMA CENTER FOR RESEARCH, INC., MGMA REALTY CORP., MGMA SERVICES, INC., AND ACMPE SCHOLARSHIP FUND, INC.**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**YEARS ENDED JUNE 30, 2019 AND 2018**

| | 2019 | 2018 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Change in Net Assets | $ 922,564 | $ 1,244,508 |
| Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities: | | |
| Depreciation and Amortization | 799,226 | 1,085,441 |
| Net Realized/Unrealized Gain on Investments | (958,365) | (1,999,882) |
| Gain on Deferred Tax Asset | (917,522) | - |
| (Increase) Decrease in Assets: | | |
| Accounts Receivable | 270,495 | (1,728,033) |
| Publications Inventory | - | 833,923 |
| Prepayments | (91,431) | (164,571) |
| Deferred Compensation | 56,600 | (30,748) |
| Other Assets | 14,807 | 18,372 |
| Increase in Liabilities: | | |
| Accounts Payable and Accrued Liabilities | (26,305) | (1,302,391) |
| Unearned Revenue | 69,375 | 799,597 |
| Net Cash Provided (Used) by Operating Activities | 139,444 | (1,243,784) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Purchases of Property and Equipment | (571,566) | (834,591) |
| Purchases of Investments | (7,684,787) | (5,751,296) |
| Proceeds from Sale of Investments | 7,135,315 | 5,588,808 |
| Net Cash Used by Investing Activities | (1,121,038) | (997,079) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Payment of Capital Lease Obligations | (11,420) | (11,083) |
| **NET DECREASE IN CASH AND CASH EQUIVALENTS** | (993,014) | (2,251,946) |
| Cash and Cash Equivalents - Beginning of Year | 3,620,727 | 5,872,673 |
| **CASH AND CASH EQUIVALENTS - END OF YEAR** | $ 2,627,713 | $ 3,620,727 |
| **SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING** | | |
| Accounts Payable for Property and Equipment | $ - | $ 455,772 |

*See accompanying Notes to Consolidated Financial Statements.*

## NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of MGMA-ACMPE, MGMA Center for Research, Inc., MGMA Realty Corp., MGMA Services, Inc., and ACMPE Scholarship Fund, Inc. (collectively, the Association) is presented to assist in understanding the Association's consolidated financial statements. The consolidated financial statements and notes are representations of the Association's management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America.

### Organization

Effective January 1, 2012, members of Medical Group Management Association (MGMA) and its standard-setting body, the American College of Medical Practice Executives (ACMPE), voted to merge to form a new association, MGMA-ACMPE. MGMA-ACMPE is a nonprofit corporation organized to advance the profession of medical group practice management and the industry of health care delivery. MGMA, founded in 1926, is composed of individual and organizational members responsible for the business administration of medical groups and clinics. ACMPE was founded in 1956 to encourage education and certification of medical practice executives.

MGMA Center for Research, Inc. (MGMA CFR) is a nonprofit, charitable corporation whose purpose is to conduct research projects, studies, and training programs in the area of ambulatory health care administration leading to information and publication services through grants received from foundations and other sources. MGMA CFR is dependent upon MGMA-ACMPE's continued support.

MGMA Realty Corp. (MGMA Realty) is a nonprofit affiliate of MGMA-ACMPE. MGMA Realty was established and began operations in 1990 for the purpose of owning and renting office buildings.

MGMA Services, Inc. (MGMA Services) was incorporated in the state of Colorado and is a wholly owned, for-profit subsidiary of MGMA-ACMPE. MGMA Services was established to engage in activities that further the provision of high-quality medical management services or otherwise assist medical group practices in delivering efficient and effective health care. MGMA Services is dependent upon MGMA-ACMPE's continued support.

ACMPE Scholarship Fund, Inc. (SFI) was organized to administer scholarship programs endowed by individual members, groups, and members of the general public that shall assist individuals who wish to pursue careers in ambulatory health care administration or other worthy individuals to receive an education.

## NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Principles of Consolidation

The consolidated financial statements include the accounts of MGMA-ACMPE, MGMA CFR, MGMA Realty, MGMA Services, and SFI, which are under common management and controlled by separate boards of directors composed of the same members. MGMA Realty was organized for the purpose of holding title to property and distributing profits to MGMA-ACMPE. MGMA-ACMPE, MGMA Services, SFI, and MGMA CFR are housed in facilities owned by MGMA Realty, and certain MGMA-ACMPE employees perform work for all organizations. MGMA Services is a wholly owned subsidiary of MGMA-ACMPE with a separate board of directors. All material intercompany balances and transactions have been eliminated in consolidation.

### Basis of Presentation

The Association's policy is to prepare its consolidated financial statements on the accrual basis in conformity with accounting principles generally accepted in the United States of America. The Association accounts for its net assets, revenues, gains, expenses and losses based upon the existence or absence of donor-imposed restrictions. A description of the net asset categories follows:

*Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The board of directors has designated, from net assets without donor restrictions, net assets for endowment fund scholarships.

*With Donor Restrictions* – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

The Association reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as Net Assets Released from Restrictions.

### Cash and Cash Equivalents

Cash and cash equivalents are defined as money market deposits, checking and savings accounts, certificates of deposit, and repurchase agreements with original maturities of less than 90 days, excluding cash equivalents held as part of the Association's investment portfolio, which are classified as investments. As of June 30, 2019 and 2018, balances in excess of federally insured limits totaled approximately $2,497,890 and $3,204,000, respectively.

## NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the consolidated statements of financial position.

### Restricted Investments

Restricted investments represent donor restricted scholarship fund balances that must be maintained in perpetuity. There are no donor restrictions that require scholarship fund balances to be maintained in separate accounts. The Association commingles scholarship funds with the other investments of the Association, as is specified by the charters of the scholarship funds.

### Accounts Receivable

The Association extends credit to customers for payment for goods and services provided. The Association provides an allowance for doubtful collections using a formula that is based upon prior collections history with similar accounts. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the customer.

### Prepayments

Prepayments consist mainly of deposits and other costs associated with the preparation of upcoming programs sponsored by MGMA-ACMPE. Prepayments related to holding the programs are recognized as expense in the year the program is held.

### Publications Inventory

Publications inventory consists of various books and other publications held for sale by MGMA-ACMPE. In 2018, the Association made a change to its publications inventory policy. Costs for individual publication inventory items below $20,000 are expensed in the year incurred. Costs for individual publication inventory items exceeding $20,000 are recorded as publication inventory. There was no publications inventory as of June 30, 2019 and 2018. During 2018, the Association incurred an expense of $796,943 related to the write down of inventory for cost of inventory items that were no longer expected to be sold.

### Property and Equipment

Property and equipment having a unit cost greater than $5,000 and a useful life of more than three years are capitalized at cost when purchased. Depreciation and amortization is computed on the straight-line method over estimated useful lives as follows:

| | |
|---|---|
| Building | 20 Years |
| Building Improvements | 10 Years |
| Furniture and Furniture | 5 to 10 Years |
| Computer Hardware | 5 Years |
| Computer Software | 3 to 5 Years |

Expenditures for maintenance, repairs, and minor replacements are charged to operations, and expenditures for major replacements and betterments are capitalized.

## NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Long-Lived Assets

The Association reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recovered. The Association looks primarily to the undiscounted future cash flows in its assessment of whether or not long-lived assets have been impaired. Through June 30, 2019, no impairment has been deemed necessary.

### Revenue Recognition

Revenue from membership dues, fees, and services is recognized ratably over the applicable period of service. The data portion of organizational membership dues revenue is recognized at the time of sale. Unearned dues, fees, and services revenue represents amounts received or billed in advance, unearned executive partner fees represents amounts billed in advance and will be recognized when earned.

Revenue from contributions, including unconditional promises to give, are recognized in the period in which the promise to give is received from the donor, except when the donor specifies restrictive conditions that cannot be met in the current period. All contributions are considered available for without donor restricted use unless specifically restricted by the donor.

### Expense Allocation

Directly identifiable expenses are charged to program and supporting services. Expenses related to more than one function are charged to program and supporting services on the basis of periodic department headcounts, time studies, and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other program service but provide for the overall support and direction of the Association.

### Income Taxes

MGMA-ACMPE, MGMA CFR, MGMA Realty, and SFI are nonprofit corporations as defined by the Internal Revenue Code Sections 501(c)(6) (MGMA-ACMPE), 501(c)(3) (MGMA CFR and SFI), and 501(c)(2) (MGMA Realty) and are exempt from federal income taxes on their related activities. Accordingly, income taxes related to MGMA-ACMPE, MGMA CFR, MGMA Realty, and SFI are to be paid only on net revenue not related to their tax-exempt activities. For the year ended June 30, 2019, MGMA-ACMPE generated taxable income from unrelated business income activities of $49,628, which was offset by net operating losses that were accumulated in previous years. For the year ended June 30, 2018, net operating losses from unrelated business activities to the extent that expenses exceeded revenues.

## NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Income Taxes (Continued)**

MGMA Services is a for-profit C corporation that accounts for deferred taxes under the liability method, whereby deferred tax assets and liabilities are recognized for the expected tax consequences of temporary differences between the tax basis of assets and liabilities and their reported amounts using presently enacted tax rates. Deferred tax assets are recognized for tax credit and net operating loss carryforwards and are reduced by a valuation allowance, which is established when it is more likely than not that some portion or all of the deferred tax assets will not be realized.

MGMA-ACMPE has a gross deferred tax asset of approximately $1,179,000 and $918,000 as of June 30, 2019 and 2018, respectively, which resulted from its cumulative net operating losses. A valuation allowance of approximately $311,000 and $918,000 has been recorded as of June 30, 2019 and 2018 because, based on available evidence, it is more likely than not that, as of June 30, 2019 and 2018, the valuation allowance amount of the deferred tax assets will not be realized. As of June 30, 2019 and 2018, MGMA-ACMPE has net deferred tax assets of $867,894 and $-0-, respectively, recorded in the statements of financial position. A gain on deferred tax asset of $917,522 was recorded in the statement of activities during fiscal 2019 due to a change in tax law as a result of the enactment of the Tax Cuts and Jobs Act (TCJA) on December 22, 2017. The TCJA disallowed the option for nonprofit organizations to offset income generated from one unrelated business income activity with losses generated from a different unrelated business income activity. This change resulted in unrelated business income tax expense of $49,628 on one of MGMA-ACMPE's unrelated business income activities in fiscal year 2019, which can be offset by net operating losses generated by MGMA-ACMPE before January 1, 2018. Due to the change in tax law and available evidence, it is more likely than not that MGMA-ACMPE will utilize the net operating losses that were generated before January 1, 2018. Therefore, a deferred tax asset of $917,522 was recorded as a gain on deferred tax asset during fiscal year 2019, which was reduced by $49,628 for the portion of the deferred tax asset utilized to offset taxable income in fiscal year 2019 to arrive at a deferred tax asset of $867,894 as of June 30, 2019. Net operating losses generated from separate unrelated business income activities after January 1, 2018 can only be used to offset future income generated from the same unrelated business income activity. Accordingly, the valuation allowance of approximately $311,000 as of June 30, 2019 is recorded against net operating losses generated after January 1, 2018 as based on available evidence, it is more likely than not that, as of June 30, 2019 and 2018, the valuation allowance amount of the deferred tax assets will not be realized.

MGMA Services has a deferred tax asset of approximately $981,000 as of June 30, 2019 and 2018, which resulted from its cumulative net operating losses. A valuation allowance has been recorded as of June 30, 2019 and 2018 to eliminate the deferred tax asset because, based on available evidence, it is more likely than not that, as of June 30, 2019 and 2018, the deferred tax assets will not be realized.

## NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Uncertain Tax Positions**

The Association applies a more likely than not measurement methodology to reflect the consolidated financial statement impact of uncertain tax positions taken or expected to be taken in a tax return. After evaluating the tax positions taken, none are considered to be uncertain; therefore, no amounts have been recognized for the years ended June 30, 2019 and 2018.

If incurred, interest and penalties associated with tax positions are recorded in the period assessed as management and general expense. No interest or penalties have been assessed as of June 30, 2019 and 2018.

**Use of Estimates**

The preparation of consolidated 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 revenue, expenses, gains, losses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

**Change in Accounting Principle**

On August 18, 2016, Financial Accounting Standards Board (FASB) issued Accounting Standards Updated (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-For-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Management has implemented ASU 2016-14 and adjusted the presentation in these consolidated financial statements accordingly. These changes were applied retrospectively, with the exception of the liquidity footnote which has only been presented for 2019, to ensure comparability with the prior year presented herein.

**Recently Issued and Adopted Accounting Pronouncements**

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*. ASU 2014-09 will eliminate the transaction and industry-specific revenue recognition guidance under current U.S. GAAP and replace it with a principle-based approach for determining revenue recognition. This ASU is required to be adopted by the Association for the fiscal year ended June 30, 2020 and must be applied retrospectively.

## NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Recently Issued and Adopted Accounting Pronouncements (Continued)**

In addition, in June 2018, FASB issued ASU 2018-08, *Not-For-Profit Entities, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU distinguishes between contributions and exchange transactions and assists in determining which guidance to apply. In addition, once a transaction is deemed to be a contribution, this ASU assists in determining whether a contribution is conditional or unconditional, and if unconditional, whether the transaction is donor restricted for a limited purpose or time period. This ASU is required to be adopted by the Association for the fiscal year 2020 for contributions received and effective for fiscal year 2021 for contributions made. Management is currently evaluating the potential impact of these ASU's on the Association's consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases.* The ASU is intended to improve financial reporting about leasing transactions. The ASU affects all companies and other organizations that lease assets. Lessor accounting remains largely consistent with existing U.S. GAAP. The new standard takes effect for fiscal year 2022 for the Association.

Management has evaluated other recently issued accounting pronouncements and does not believe that any of these pronouncements will have an impact on the Association's consolidated financial statements.

**Subsequent Events**

The Association has evaluated all subsequent events through March 3, 2020, which is the date the consolidated financial statements were available for issuance, and has determined there are no events requiring disclosure.

## NOTE 2 LIQUIDITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position date, comprise the following:

| | |
|---|---|
| Cash and Cash Equivalents | $ 2,627,713 |
| Accounts Receivable | 3,050,950 |
| Investments | 26,389,533 |
| Total Assets Available for General Expenditure | $ 32,068,196 |

The Association's endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

## NOTE 2 LIQUIDITY (CONTINUED)

It is the policy of the Association to maintain operating funds in checking accounts for purposes of liquidity. The Association will take advantage of earnings potential, if practical, through the use of controlled disbursement information allowing excess funds in operating accounts to be invested in short-term instruments. The Association maintains accounts necessary for daily operations, payroll, credit card receipts and other purposes that may arise. In the event of an unanticipated liquidity need, the Association could also draw upon $2,500,000 of an available line of credit (Note 5).

## NOTE 3 INVESTMENTS AND RESTRICTED INVESTMENTS

Investments are reflected in the following accounts on the consolidated statements of financial position:

| | 2019 | 2018 |
|---|---|---|
| Investments | $ 26,991,732 | $ 25,485,025 |
| Restricted Investments | 756,645 | 755,515 |
| Total | $ 27,748,377 | $ 26,240,540 |

Investments are used as collateral for MGMA-ACMPE's line of credit (Note 5).

Investments and restricted investments are comprised of the following:

| | 2019 | 2018 |
|---|---|---|
| Cash and Cash Equivalents | $ 803,598 | $ 1,597,348 |
| Equities | 6,713,297 | 6,027,981 |
| Mutual Funds and Exchange Traded Funds | 16,004,940 | 15,101,780 |
| Fixed Income: | | |
| Bond Funds | 3,611,293 | 2,652,872 |
| U.S. Government and Agency Bonds | 1,922 | 2,151 |
| Corporate Bonds | 613,327 | 858,408 |
| Total | $ 27,748,377 | $ 26,240,540 |

## NOTE 4 FAIR VALUE MEASUREMENTS

The Association values its financial assets and liabilities based on 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. The following fair value hierarchy prioritizes observable inputs used to measure fair value into three broad levels, which are described below:

*Level 1* – Quoted prices in active markets that are accessible at the measurement date for assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

*Level 2* – Observable prices that are based on inputs not quoted on active markets, but corroborated by market data.

*Level 3* – Unobservable inputs are used when little or no market data is available.

In determining fair value, the Association utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as considers counterparty credit risk in its assessment of fair value. These classifications (Levels 1, 2, and 3) are intended to reflect the observability of inputs used in the valuation of investments and are not necessarily an indication of risk or liquidity.

The following is a description of the valuation methodologies used for assets measured at fair value:

*Mutual Funds, Exchange-Traded Funds, Fixed Income and Bond Funds and Equities*: Valued at the closing price reported on the active market on which the funds and individual securities are traded.

*U.S. Government and Agency Bonds, and Corporate Bonds*: Valued based on yields currently available on comparable securities of the issuer or other issuers with similar credit ratings.

There were no changes to the valuation techniques used during the period.

## NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)

Financial assets carried at fair value measured on a recurring basis as of June 30, 2019 and 2018 are classified in the tables below in one of the three categories described above:

| | 2019 | | | | |
|---|---|---|---|---|---|
| | Not Leveled | Level 1 | Level 2 | Level 3 | Total |
| Investments: | | | | | |
| Cash and Cash Equivalents | $ 803,598 | $ - | $ - | $ - | $ 803,598 |
| Equities | - | 6,713,297 | - | - | 6,713,297 |
| Mutual Funds and Exchange Traded Funds | - | 16,004,940 | - | - | 16,004,940 |
| Fixed Income Bond Funds | - | 3,611,293 | - | - | 3,611,293 |
| U.S. Government and Agency Bonds | - | - | 1,922 | - | 1,922 |
| Corporate Bonds | - | - | 613,327 | - | 613,327 |
| Total Investments and Restricted Investments | 803,598 | 26,329,530 | 615,249 | - | 27,748,377 |
| Deferred Compensation: | | | | | |
| Mutual Funds and Exchange Traded Funds | - | 55,093 | - | - | 55,093 |
| Total Deferred Compensation Assets | - | 55,093 | - | - | 55,093 |
| Total Fair Value | $ 803,598 | $ 26,384,623 | $ 615,249 | $ - | $ 27,803,470 |

| | 2018 | | | | |
|---|---|---|---|---|---|
| | Not Leveled | Level 1 | Level 2 | Level 3 | Total |
| Investments: | | | | | |
| Cash and Cash Equivalents | $ 1,597,348 | $ - | $ - | $ - | $ 1,597,348 |
| Equities | - | 6,027,981 | - | - | 6,027,981 |
| Mutual Funds and Exchange Traded Funds | - | 15,101,780 | - | - | 15,101,780 |
| Fixed Income Bond Funds | - | 2,652,872 | - | - | 2,652,872 |
| U.S. Government and Agency Bonds | - | - | 2,151 | - | 2,151 |
| Corporate Bonds | - | - | 858,408 | - | 858,408 |
| Total Investments and Restricted Investments | 1,597,348 | 23,782,633 | 860,559 | - | 26,240,540 |
| Deferred Compensation: | | | | | |
| Cash and Cash Equivalents | 1,533 | - | - | - | 1,533 |
| Mutual Funds and Exchange Traded Funds | - | 110,160 | - | - | 110,160 |
| Total Deferred Compensation Assets | 1,533 | 110,160 | - | - | 111,693 |
| Total Fair Value | $ 1,598,881 | $ 23,892,793 | $ 860,559 | $ - | $ 26,352,233 |

## NOTE 5 LINE OF CREDIT AND LETTER OF CREDIT

MGMA-ACMPE has a line of credit for the borrowing of up to $2,500,000, which matures in May 2020. The revolving note carries an interest rate at the bank's prime rate less 1.00%. The rate at June 30, 2019 and 2018 was 4.5% and 4.0%, respectively. Borrowings are collateralized by investment securities. There were no amounts outstanding on the line of credit as of June 30, 2019 and 2018.

MGMA-ACMPE maintains a $27,363 letter of credit as security for a lease.

## NOTE 6 COMMITMENTS AND CONTINGENCIES

**Leases**

MGMA-ACMPE is obligated under capital leases for equipment with an original cost of $58,465 and accumulated amortization of $40,926 and $29,233 at June 30, 2019 and 2018, respectively. The capital lease will expire in September 2020. In addition, MGMA-ACMPE leases office space under operating leases, which expire in November 2026 and July 2028. Future minimum lease payments under the noncancelable operating leases with initial or remaining lease terms in excess of one year and future minimum capital lease payments as of June 30, 2019 are as follows:

| Year Ending June 30, | Capital Leases | Operating Leases |
|---|---|---|
| 2020 | $ 11,988 | $ 582,351 |
| 2021 | 2,997 | 590,029 |
| 2022 | - | 597,453 |
| 2023 | - | 612,399 |
| 2024 | - | 627,717 |
| Thereafter | - | 1,985,123 |
| Total Minimum Lease Payments | 14,985 | $ 4,995,072 |
| Less: Amount Representing Interest | (221) | |
| Present Value of Net Minimum Lease Payments | 14,764 | |
| Less: Current Installments of Obligations Under Capital Leases | (11,988) | |
| Obligations Under Capital Leases, Excluding Current Installments | $ 2,776 | |

Amortization of assets held under capital leases is included within depreciation expense. Rental expense under the operating lease was $526,375 and $343,017 for the years ended June 30, 2019 and 2018, respectively.

## NOTE 6 COMMITMENTS AND CONTINGENCIES (CONTINUED)

### Leases (Continued)

The operating leases for office space in Washington, DC and Denver, Colorado have increasing payments over the life of the lease agreement. Lease expense under these leases is recorded on a straight-line basis over the life of the lease agreements. Monthly rent expense in excess of rent payments made is recorded as a deferred rent liability until monthly rent payments exceed rent expense, at which point the deferred rent liability will be reduced by the amount that rent payments exceed rent expense. At June 30, 2019 and 2018, the deferred rent liability of $582,541 and $282,321, respectively, was recorded and included in accrued liabilities.

### Commitments on Conference Contracts

MGMA-ACMPE enters into contracts to reserve convention and hotel space for future conventions. As of June 30, 2019, MGMA-ACMPE has commitments totaling approximately $4,095,357 for contracts through 2024.

### Employment Agreements

The Association has an employment agreement with its chief executive officer (CEO).

The terms of the CEO agreement stipulate that, if her employment is terminated without cause, the Association will continue to pay her salary and certain benefits for 12 months from the date of notice. The terms also state that, if her employment is terminated without cause, six months before or 24 months after a change in control of the Association, the Association will pay a lump sum severance amount of two times the sum of her base salary and target bonus for the year in which the termination occurs within 60 days after the termination date.

### Litigation

In the normal course of business, the Association is party to litigation from time to time. The Association maintains insurance to cover certain actions and believes that resolution of such litigation will not have a material adverse effect on the Association.

## NOTE 7 BENEFIT PLANS

### 401(k) Defined Contribution Plan

Participants in the 401(k) defined contribution plan (the 401(k) plan) may elect to defer pre-tax earnings up to the annual limit as defined by the Internal Revenue Service (IRS). The Association matches the participant’s compensation deferral up to 4% of the participant’s compensation starting once the employee has six months of service. Matching contributions are made on a pay period basis. Matching employer contributions related to the 401(k) plan during the years ended June 30, 2019 and 2018 totaled $389,483 and $434,715, respectively.

## NOTE 7 BENEFIT PLANS (CONTINUED)

At its discretion, the employer may also make a profit sharing contribution to the 401(k) plan in an amount determined by the employer. Profit sharing contributions are determined by management several months after the end of the 401(k) plan calendar year-end. Profit sharing contributions must be disbursed to the plan within nine months following the end of the 401(k) plan calendar year-end. The Association accrued $271,922 and $273,977 of estimated profit sharing contributions for the 401(k) plan calendar years ended December 31, 2019 and 2018, respectively. The accrual for the estimated profit sharing contributions is based on the Association's historical profit sharing contribution percentage multiplied by budgeted eligible employee salaries.

Employees are eligible to participate in the 401(k) plan once hired and upon attainment of age 21. Employees are eligible to participate in the profit sharing provisions of the 401(k) plan after completing one year of service, consisting of at least 1,000 hours of service, and attaining age 21. Participants are immediately vested in their elective 401(k) plan contributions, employer matching contributions, and any earnings thereon.

Participants' accounts, which include nonvested employer profit sharing contributions, become vested upon attaining normal retirement age of 65, termination of employment due to death or disability, or termination of the 401(k) plan. At any other time, these participants' accounts become vested in accordance with the 401(k) plan.

### Deferred Compensation Plan – 457(f) Plan

During the year ended June 30, 2017, MGMA-ACMPE entered into a 457(f) plan, which allows employees designated as eligible by the Association to receive supplemental retirement contributions from and at the discretion of the Association. The plan follows a tiered vesting schedule specific to each participant and attainment of normal retirement age while an employee, death while an employee, or separation of service due to disability while an employee. In the event of termination or forfeiture of the plan, the assets will remain with the Association. The 457(f) plan assets are held by MGMA-ACMPE and are reported in the accompanying consolidated statements of financial position as deferred compensation. The asset balance related to the 457(f) plan as of June 30, 2019 and 2018 totaled $55,093 and $111,693, respectively.

### Self-Funded Health Care Plan

MGMA-ACMPE has a self-funded plan for health care (the health care plan). A stop-loss insurance policy limits the Association's self-insurance liability to $60,000 per individual per year and approximately $923,000 in annual aggregate claims, exclusive of dental claims and administrative costs. The Association paid approximately $1,291,000 and $1,457,000 for administrative expenses and medical, dental, and prescription claims for the years ended June 30, 2019 and 2018, respectively. The Association has recorded an accrual in other accrued liabilities of $138,756 and $156,148 as of June 30, 2019 and 2018, respectively, for estimated claims incurred but not yet reported to the health care plan.

## NOTE 8 NET ASSETS

Net assets with donor restrictions are restricted for the following purposes or periods as of June 30:

| | 2019 | 2018 |
|---|---|---|
| Subject to Expenditure for Specific Purpose: | | |
| **Richardson-Sargent Grants and Fellowships** | $ 193,090 | $ 189,172 |
| Subject to SFI Spending Policy and Appropriation: | | |
| Investment in Perpetuity (Including Amounts Above Original Gift Amounts), the Income from Which is Expendable to Support: | | |
| **Scholarship Fund Endowment Earnings** | 252,006 | 239,951 |
| Not Subject to Appropriation or Expenditure: | | |
| **Scholarship Fund Original Endowment Gifts** | 756,645 | 755,515 |
| Total Net Assets with Donor Restrictions | $ 1,201,741 | $ 1,184,638 |

All net assets with donor restrictions are funds of SFI.

Net assets were released from donor restriction by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors as follows for the years ended June 30:

| | 2019 | 2018 |
|---|---|---|
| Purpose Restrictions Accomplished: | | |
| **Richardson-Sargent Grants and Fellowships** | $ 4,000 | $ 2,000 |
| Release of Appropriated Endowment: | | |
| **Scholarship Fund Awards and Expenses** | 31,000 | 31,000 |
| Total Restrictions Released | $ 35,000 | $ 33,000 |

The Association’s governing board has designated net assets without donor restrictions for the following purposes as of June 30:

| | 2019 | 2018 |
|---|---|---|
| Board-Designated for Endowment Fund for Scholarships | $ 157,103 | $ 150,296 |

## NOTE 9 ENDOWMENTS

SFI’s endowment consists of nine individual funds established to award scholarships. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

## NOTE 9 ENDOWMENTS (CONTINUED)

### Interpretation of Relevant Law

The board of directors of SFI has interpreted the Colorado Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

In accordance with UPMIFA, SFI considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund

(2) The purposes of SFI and the donor-restricted endowment fund

(3) General economic conditions

(4) The possible effect of inflation and deflation

(5) The expected total return from income and the appreciation of investments

(6) Other resources of SFI

(7) The investment policies of SFI

### Return Objectives and Risk Parameters

SFI has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under these policies, as approved by the board of directors, the endowment assets are invested in a manner that is intended to produce results that exceed the total rate of return of the appropriate index as agreed to by the Association's finance and audit committee (currently a blend of the S&P 500 index and 25% SLAB indices) while assuming a moderate level of investment risk. SFI expects its endowment funds, over time, to provide an average rate of return of approximately 6% annually. Actual returns in any given year may vary from this amount.

### Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, SFI relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). SFI targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

## NOTE 9 ENDOWMENTS (CONTINUED)

**Spending Policy and How the Investment Objectives Relate to Spending Policy**

SFI has a policy of appropriating for distribution each year the amount over 104% of the historic dollar value of the endowment. In establishing this policy, SFI considered the long-term expected return on its endowment. Accordingly, over the long term, SFI expects the current spending policy will provide a reliable source of funding for scholarship awards and preserve and enhance the value of the endowment funds annually.

Changes in endowment net assets for the years ended June 30:

| | 2019 | | |
|---|---|---|---|
| | Without Donor Restriction | With Donor Restriction | Total |
| Endowment Net Assets - Beginning of Year | $ 150,296 | $ 995,466 | $ 1,145,762 |
| Contributions | - | 1,130 | 1,130 |
| Investment Return: | | | |
| Investment Income | 3,449 | 20,895 | 24,344 |
| Net Appreciation (Realized and Unrealized) | 3,358 | 22,160 | 25,518 |
| Total Investment Return | 6,807 | 43,055 | 49,862 |
| Appropriation of Endowment Assets for Expenditure | - | (31,000) | (31,000) |
| Endowment Net Assets - End of Year | $ 157,103 | $ 1,008,651 | $ 1,165,754 |

| | 2018 | | |
|---|---|---|---|
| | Without Donor Restriction | With Donor Restriction | Total |
| Endowment Net Assets - Beginning of Year | $ 139,010 | $ 952,581 | $ 1,091,591 |
| Contributions | - | 847 | 847 |
| Investment Return: | | | |
| Investment Income | 3,540 | 15,564 | 19,104 |
| Net Appreciation (Realized and Unrealized) | 8,514 | 57,474 | 65,988 |
| Total Investment Return | 12,054 | 73,038 | 85,092 |
| Appropriation of Endowment Assets for Expenditure | (768) | (31,000) | (31,768) |
| Endowment Net Assets - End of Year | $ 150,296 | $ 995,466 | $ 1,145,762 |

## SUPPLEMENTARY INFORMATION

**MGMA-ACMPE, MGMA CENTER FOR RESEARCH, INC., MGMA REALTY CORP., MGMA SERVICES, INC., AND ACMPE SCHOLARSHIP FUND, INC.**
**CONSOLIDATING STATEMENTS OF CHANGES IN NET ASSETS**
**YEARS ENDED JUNE 30, 2019 AND 2018**
**(SEE INDEPENDENT AUDITORS' REPORT)**

| | MGMA - ACMPE | MGMA Realty Corp. | MGMA Center for Research, Inc. | MGMA Services, Inc. | ACMPE Scholarship Fund, Inc. Without Donor Restrictions | ACMPE Scholarship Fund, Inc. With Donor Restrictions | Eliminations | Consolidated Total |
|---|---|---|---|---|---|---|---|---|
| Net Assets - June 30, 2017 | $ 32,243,363 | $ (283,521) | $ 162,628 | $ 20,154 | $ 103,725 | $ 1,129,782 | $ (9,634,280) | $ 23,741,851 |
| Change in Net Assets | 1,043,154 | 42,471 | 110,197 | (1,910) | (4,260) | 54,856 | - | 1,244,508 |
| Net Assets - June 30, 2018 | 33,286,517 | (241,050) | 272,825 | 18,244 | 99,465 | 1,184,638 | (9,634,280) | 24,986,359 |
| Change in Net Assets | 910,744 | (2) | 3,879 | (850) | (8,310) | 17,103 | - | 922,564 |
| Net Assets - June 30, 2019 | $ 34,197,261 | $ (241,052) | $ 276,704 | $ 17,394 | $ 91,155 | $ 1,201,741 | $ (9,634,280) | $ 25,908,923 |