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, 2020 AND 2019

MGMA-ACMPE, MGMA CENTER FOR RESEARCH, INC., MGMA REALTY CORP., MGMA SERVICES, INC., AND ACMPE SCHOLARSHIP FUND, INC.
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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, 2020 and 2019, 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, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principle

As discussed in Note 1 and Note 10 to the consolidated financial statements, in fiscal year 2020 the Association adopted new accounting guidance for recognizing revenue from contracts with customers. Our opinion is not modified with respect to this 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 2020 and 2019 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
January 28, 2021

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, 2020 AND 2019

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 2,131,685	$ 2,627,713
Investments	26,598,801	26,991,732
Accounts Receivable, Net of Allowance of $130,000 and $70,000 at June 30, 2020 and 2019, Respectively	1,264,245	1,359,998
Prepayments	851,156	992,294
Total Current Assets	30,845,887	31,971,737
PROPERTY AND EQUIPMENT		
Building	5,961,065	5,961,065
Furniture and Equipment	5,721,918	6,168,533
Land	820,745	820,745
Subtotal	12,503,728	12,950,343
Less: Accumulated Depreciation and Amortization	(9,978,674)	(10,102,745)
Net Property and Equipment	2,525,054	2,847,598
OTHER ASSETS		
Restricted Investments	757,810	756,645
Deferred Compensation	-	55,093
Deferred Tax Asset	753,376	867,894
Other Long-Term Assets	129,855	27,884
Total Other Assets	1,641,041	1,707,516
Total Assets	$ 35,011,982	$ 36,526,851

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, 2020 AND 2019

LIABILITIES AND NET ASSETS	2020	2019
CURRENT LIABILITIES		
Accounts Payable	$ 376,609	$ 422,203
Accrued Liabilities	2,125,286	2,833,214
Current Portion of Obligations Under Capital Leases	2,997	11,988
Unearned Revenue - Membership Dues	4,015,532	4,284,720
Unearned Revenue - Fees and Services	4,551,737	3,063,027
Total Current Liabilities	11,072,161	10,615,152
LONG-TERM LIABILITIES		
Long-Term Obligations Under Capital Leases	-	2,776
Total Long-Term Liabilities	-	2,776
Total Liabilities	11,072,161	10,617,928
NET ASSETS		
Without Donor Restrictions	22,771,548	24,707,182
With Donor Restrictions	1,168,273	1,201,741
Total Net Assets	23,939,821	25,908,923
Total Liabilities and Net Assets	$ 35,011,982	$ 36,526,851

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, 2020

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Information and Publication Services	$ 13,657,600	$ -	$ 13,657,600
Less: Costs of Goods Sold	(355,448)	-	(355,448)
Net Information and Publication Services	13,302,152	-	13,302,152
Membership Dues	8,467,785	-	8,467,785
Conference and Education Services	6,038,903	-	6,038,903
Consulting Services	640,405	-	640,405
Membership Lists and Affinity Services	352,076	-	352,076
Grants and Other Contributions	-	1,165	1,165
Certification Services	169,949	-	169,949
Other	48,788	-	48,788
Net Assets Released from Restrictions	32,995	(32,995)	-
Total Support and Revenue	29,053,053	(31,830)	29,021,223
EXPENSES			
Program Services:			
Membership Services	3,266,876	-	3,266,876
Conference and Education Services	8,648,919	-	8,648,919
Information and Publication Services	3,616,857	-	3,616,857
Consulting Services	1,034,497	-	1,034,497
Government Affairs	2,774,670	-	2,774,670
Scholarship Awards	32,995	-	32,995
Certification Services	230,107	-	230,107
Total Program Services	19,604,921	-	19,604,921
Supporting Services:			
Management and General	6,870,869	-	6,870,869
Marketing	2,207,820	-	2,207,820
Committees	165,195	-	165,195
Total Supporting Services	9,243,884	-	9,243,884
Total Expenses	28,848,805	-	28,848,805
CHANGES IN NET ASSETS FROM OPERATIONS	204,248	(31,830)	172,418
Gain on Deferred Tax Asset	2,362	-	2,362
Investment Income	507,451	21,216	528,667
Net Realized and Unrealized Loss on Investments	(896,204)	(22,854)	(919,058)
CHANGES IN NET ASSETS	(182,143)	(33,468)	(215,611)
Net Assets - Beginning of Year	24,707,182	1,201,741	25,908,923
Cumulative Affect of Application of FASB No. 2014-09 (Note 1 and 10)	(1,753,491)	-	(1,753,491)
Net Assets- Beginning of Year as Restated (Note 1 and 10)	22,953,691	1,201,741	24,155,432
NET ASSETS - END OF YEAR	$ 22,771,548	$ 1,168,273	$ 23,939,821

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	$ 12,992,366	$ -	$ 12,992,366
Less: Costs of Goods Sold	(76,006)	-	(76,006)
Net Information and Publication Services	12,916,360	-	12,916,360
Membership Dues	8,705,943	-	8,705,943
Conference and Education Services	7,003,038	-	7,003,038
Consulting Services	711,146	-	711,146
Membership Lists and Affinity Services	460,257	-	460,257
Grants and Other Contributions	-	1,130	1,130
Certification Services	492,956	-	492,956
Other	48,450	-	48,450
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 and 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 FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020

	2020											
	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	$ 2,448,447	$ 3,660,240	$ 2,411,593	$ 298,060	$ 1,659,064	$ -	$ 53,321	$ 10,530,725	$ 4,521,214	$ 1,026,370	$ -	$ 16,078,309
Supplies and Travel	192,248	3,061,472	555,311	90,906	130,700	32,995	26,167	4,089,799	98,956	90,006	95,924	4,374,685
Services and Professional Fees	412,853	1,457,453	695,669	577,590	426,741	-	134,592	3,704,898	1,341,189	1,091,444	69,271	6,206,802
Office and Occupancy	150,897	330,817	217,879	47,792	509,333	-	11,335	1,268,053	686,921	-	-	1,954,974
Depreciation and Interest	62,431	138,937	91,853	20,149	48,832	-	4,692	366,894	222,589	-	-	589,483
Total Expenses by Function	$ 3,266,876	$ 8,648,919	$ 3,972,305	$ 1,034,497	$ 2,774,670	$ 32,995	$ 230,107	$ 19,960,369	$ 6,870,869	$ 2,207,820	$ 165,195	$ 29,204,253
Less: Expenses Included with Revenues on the Consolidated Statements of Activities: Cost of Goods Sold- Publications	-	-	(355,448)	-	-	-	-	(355,448)	-	-	-	(355,448)
Total Expenses Included in the Expense Section on the Consolidated Statements of Activities	$ 3,266,876	$ 8,648,919	$ 3,616,857	$ 1,034,497	$ 2,774,670	$ 32,995	$ 230,107	$ 19,604,921	$ 6,870,869	$ 2,207,820	$ 165,195	$ 28,848,805

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 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	$ 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 STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ (215,611)	$ 922,564
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	589,262	799,226
Net Realized and Unrealized (Gain) Loss on Investments	919,058	(958,365)
Net Realized Loss on Sale of Property and Equipment	2,290	-
Gain on Deferred Tax Asset	(2,362)	(917,522)
Deferred Taxes	116,880	-
(Increase) Decrease in Assets:		
Accounts Receivable	95,753	1,891,447
Prepayments	141,138	(91,431)
Deferred Compensation	55,093	56,600
Other Assets	(101,971)	14,807
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Liabilities	(753,522)	(26,305)
Unearned Revenue	(533,969)	(1,551,577)
Net Cash Provided by Operating Activities	312,039	139,444
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(269,008)	(571,566)
Purchases of Investments	(19,273,038)	(7,684,787)
Proceeds from Sale of Investments	18,745,746	7,135,315
Net Cash Used by Investing Activities	(796,300)	(1,121,038)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of Capital Lease Obligations	(11,767)	(11,420)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(496,028)	(993,014)
Cash and Cash Equivalents - Beginning of Year	2,627,713	3,620,727
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 2,131,685	$ 2,627,713

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 when the donor stipulates that resources must 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, 2020 and 2019, balances in excess of federally insured limits totaled approximately $1,959,711 and $2,907,890, 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.

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 are 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.

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, 2020, no impairment has been deemed necessary.

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

Revenue Recognition

Information and publication services revenue is comprised of sales of various surveys, periodicals, books and related advertising, most of which are provided electronically. Revenue for products purchased on a stand-alone basis is recognized when the item is purchased by and provided to the customer. Revenue for products bundled with an organization membership as described below is recognized ratably over the term of the contract (typically 12 months). Costs incurred for stand-alone publications below $30,000 are expensed in the year incurred. Costs for stand-alone publications exceeding $30,000 are recorded as publications inventory. There was no publications inventory as of June 30, 2020 and 2019.

Membership dues revenue consists of revenue from individual memberships and organization memberships. Individual memberships are renewed on an anniversary date basis and the revenue is recognized ratably over the membership period since there are no distinct performance obligations and the membership benefits are considered a bundled group of performance obligations that are delivered to members throughout the membership period. Organization memberships are renewed on an anniversary date basis and consist of various member benefits, access to industry data via software, and admission to the next annual conference, all three of which are considered separate performance obligations that are allocated a price using the standalone selling price method. The various member benefits and access to industry data are considered bundled groups of performance obligations that are delivered to members throughout the membership period and therefore revenue is recognized ratably of the term of the contract (typically 12 months). Conference admission is deferred and recognized at point over time during the time period the annual conference occurs. The access to industry data portion of organization membership revenue is included in information and publication services in the consolidated statements of activities.

Conference and education services revenue includes revenue from conference attendees, seminars, webinars, sponsorships, exhibitions and advertising at the Associations conferences. Revenue is recognized at point over time during the time period the conferences and educational programs occur.

Consulting services revenue is recognized over time based on the input method as the Association consumes resources, expends labor hours, and incurs cost.

Membership lists and affinity revenue consists of fees in exchange for licensing the Association’s intellectual property. Fees are calculated as a percentage of products sold by a third party that include the Association’s intellectual property. Revenue is recognized as products are sold by a third party.

Prepaid dues are included in unearned revenue – membership dues in the consolidated statements of financial position. Customer prepayments in advance of information and publication services, conference and education services, consulting services, and membership and affinity services are recorded as unearned revenue – fees and services in the consolidated statements of financial position.

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

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 using factors such as direct payroll allocation, full-time equivalents within each department, time and effort estimates, and the ratio of direct expenses incurred by departments compared to total direct expenses of the related business unit. 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 unrelated to their tax-exempt activities. For the years ended June 30, 2020 and 2019, MGMA-ACMPE generated taxable income from unrelated business income activities of $116,880 and $49,628, respectively, which was offset by net operating losses that were accumulated in previous years.

MGMA-ACMPE, to the extent it generates unrelated business income, and MGMA Services, a for-profit C corporation, account 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 $1,255,000 and $1,179,000 as of June 30, 2020 and 2019, respectively, which resulted from its cumulative net operating losses. A valuation allowance of approximately $501,000 and $311,000 has been recorded as of June 30, 2020 and 2019, respectively, because, based on available evidence, it is more likely than not that, as of June 30, 2020 and 2019, the valuation allowance amount of the deferred tax assets will not be realized. As of June 30, 2020 and 2019, MGMA-ACMPE has net deferred tax assets of $753,376 and $867,894, respectively, recorded in the consolidated statements of financial position.

In fiscal year 2019, a gain on deferred tax asset of $917,522 was recorded in the statement of activities 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 in fiscal year 2019.

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

Income Taxes (Continued)

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.

In fiscal year 2020, the deferred tax asset decreased $116,880 for the portion of the deferred tax asset utilized to offset taxable income and increased $2,362 for additional net operating losses generated during the year that can be utilized to offset unrelated business income tax in future years to arrive at a total deferred tax asset of $753,376 as of June 30, 2020.

Net operating losses generated from separate unrelated business income activities after January 1, 2019 can only be used to offset future income generated from the same unrelated business income activity.

MGMA Services has a deferred tax asset of approximately $981,000 as of June 30, 2020 and 2019, which resulted from its cumulative net operating losses. A valuation allowance has been recorded as of June 30, 2020 and 2019 to eliminate the deferred tax asset because, based on available evidence, it is more likely than not that, as of June 30, 2020 and 2019, the deferred tax asset will not be realized.

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, 2020 and 2019.

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, 2020 and 2019.

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.

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

Adoption of New Accounting Standards:

The Financial Accounting Standards Board (FASB) issued new guidance that created Topic 606, *Revenue from Contracts with Customers, in the Accounting Standards Codification (ASC).* Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, *Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services.

The Association adopted the requirements of the new guidance as of July 1, 2019, utilizing the modified retrospective method of transition. As a result, the Association recorded a cumulative adjustment to net assets as of July 1, 2019, to reflect the effect of the new guidance. The comparative financial information presented has not been restated and continues to be reported under the accounting standards in effect for those periods. The Association applied the new guidance using the practical expedient provided in Topic 606 that allows the guidance to be applied only to contracts that were not complete as of July 1, 2019. Adoption of the new guidance resulted in changes to the accounting policies for revenue recognition, trade and other receivables, contract liabilities, and deferred revenue as outlined in Note 10.

The adoption of this guidance required a restatement of the Association’s beginning net assets, which caused a decrease in fiscal year 2020 revenues of $1,753,491. See Note 10 for additional explanation and calculation of restatement.

The Association has adopted the accounting guidance in Financial Accounting Standards Board (FASB) Accounting Standard Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU was issued to clarify accounting guidance for contributions received and contributions made. The amendments to this ASU assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as an exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional.

The consolidated financial statements reflect the application of ASU 2018-08 beginning July 1, 2018 using the modified retrospective approach. The adoption of this ASU did not result in an impact on the Association’s reported historical revenue.

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

Recently Issued and Adopted Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, which is expected to increase transparency and comparability among organizations. The core principle of Topic 842 is that a lessee should recognize the assets and liabilities that arise from leases. The standard requires lessees to reflect most leases on their statement of financial position as lease liabilities with a corresponding right-of-use asset, while leaving presentation of lease expense in the statement of activities largely unchanged. The standard also eliminates the real-estate specific provisions that exist under current U.S. GAAP and modifies the classification criteria and accounting which lessors must apply to sales-type and direct-financing leases. The standard is effective for fiscal year 2023, and early adoption is permitted. The Association is evaluating the impact of ASU 2016-02 on its consolidated financial statements.

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 January 28, 2021, 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:

	2020	2019
Cash and Cash Equivalents	$ 2,131,685	2,627,713
Accounts Receivable	1,264,245	1,359,998
Investments	27,356,611	26,389,533
Financial Assets at year-end	30,752,541	30,377,244
Less:		
Donor Restricted Net Assets	(1,168,273)	(1,201,741)
Board Designated Net Assets	(157,211)	(157,103)
Total Financial Assets Available to Meet Cash Needs for General Expenditure within One Year	$ 29,427,057	$ 29,018,400

NOTE 2 LIQUIDITY (CONTINUED)

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.

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:

	2020	2019
Investments	$ 26,598,801	$ 26,991,732
Restricted Investments	757,810	756,645
Total	$ 27,356,611	$ 27,748,377

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

Investments and restricted investments are comprised of the following:

	2020	2019
Cash and Cash Equivalents	$ 3,762,563	$ 803,598
Equities	6,272,262	6,713,297
Mutual Funds and Exchange Traded Funds	12,353,945	16,004,940
Fixed Income:		
Bond Funds	4,762,471	3,611,293
U.S. Government and Agency Bonds	1,516	1,922
Corporate Bonds	203,854	613,327
Total	$ 27,356,611	$ 27,748,377

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, 2020 and 2019 are classified in the tables below in one of the three categories described above:

	2020				
	Not Leveled	Level 1	Level 2	Level 3	Total
Investments:					
Cash and Cash Equivalents	$ 3,762,563	$ -	$ -	$ -	$ 3,762,563
Equities	-	6,272,262	-	-	6,272,262
Mutual Funds and Exchange Traded Funds	-	12,353,945	-	-	12,353,945
Fixed Income Bond Funds	-	4,762,471	-	-	4,762,471
U.S. Government and Agency Bonds	-	-	1,516	-	1,516
Corporate Bonds	-	-	203,854	-	203,854
Total Investments and Restricted Investments	3,762,563	23,388,678	205,370	-	27,356,611
Total Fair Value	$ 3,762,563	$ 23,388,678	$ 205,370	$ -	$ 27,356,611

	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

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 2021. The revolving note carries an interest rate at the bank's prime rate less 1.00%. The rate at June 30, 2020 and 2019 was 2.75% and 4.5%, respectively. Borrowings are collateralized by investment securities. There were no amounts outstanding on the line of credit as of June 30, 2020 and 2019.

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 $52,619 and $40,926 at June 30, 2020 and 2019, 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, 2020 are as follows:

Year Ending June 30,	Capital Leases	Operating Leases
2021	$ 2,997	$ 590,029
2022	-	597,453
2023	-	612,399
2024	-	627,717
2025	-	642,160
Thereafter	-	1,342,964
Total Minimum Lease Payments	2,997	$ 4,412,722
Less: Amount Representing Interest	-	
Present Value of Net Minimum Lease Payments	2,997	
Less: Current Installments of Obligations Under Capital Leases	(2,997)	
Obligations Under Capital Leases, Excluding Current Installments	$ -	

Amortization of assets held under capital leases is included within depreciation expense. Rental expense under the operating lease was $541,695 and $526,375 for the years ended June 30, 2020 and 2019, 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, 2020 and 2019, deferred rent liabilities of $602,824 and $582,541, respectively, were 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, 2020, MGMA-ACMPE has commitments totaling approximately $2,123,919 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, 2020 and 2019 totaled $384,609 and $389,483, 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 $168,710 and $271,922 of estimated profit sharing contributions for the 401(k) plan calendar years ended December 31, 2020 and 2019, respectively. The accrual for the estimated profit sharing contributions is based on the Association's budgeted 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, 2020 and 2019 totaled $-0- and $55,093, 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 $970,000 in annual aggregate claims, exclusive of dental claims and administrative costs. The Association paid approximately $1,321,000 and $1,291,000 for administrative expenses and medical, dental, and prescription claims for the years ended June 30, 2020 and 2019, respectively. The Association has recorded an accrual in other accrued liabilities of $124,119 and $138,756 as of June 30, 2020 and 2019, 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:

	2020	2019
Subject to Expenditure for Specific Purpose:		
Richardson-Sargent Grants and Fellowships	$ 187,853	$ 193,090
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	222,610	252,006
Not Subject to Appropriation or Expenditure:		
Scholarship Fund Original Endowment Gifts	757,810	756,645
Total Net Assets with Donor Restrictions	$ 1,168,273	$ 1,201,741

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:

	2020	2019
Purpose Restrictions Accomplished:		
Richardson-Sargent Grants and Fellowships	$ 4,995	$ 4,000
Release of Appropriated Endowment:		
Scholarship Fund Awards and Expenses	28,000	31,000
Total Restrictions Released	$ 32,995	$ 35,000

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

	2020	2019
Board-Designated for Endowment Fund for Scholarships	$ 157,211	$ 157,103

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:

	2020		
	Without Donor Restriction	With Donor Restriction	Total
Endowment Net Assets - Beginning of Year	$ 157,103	$ 1,008,651	$ 1,165,754
Contributions	-	1,165	1,165
Investment Return:			
Investment Income	3,148	17,649	20,797
Realized and Unrealized Loss	(3,040)	(19,045)	(22,085)
Total Investment Return	108	(1,396)	(1,288)
Appropriation of Endowment Assets for Expenditure	-	(28,000)	(28,000)
Endowment Net Assets - End of Year	$ 157,211	$ 980,420	$ 1,137,631

	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
Realized and Unrealized Gain	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

NOTE 10 ADJUSTMENT FOR A CHANGE IN ACCOUNTING PRINCIPLE

During the year ended June 30, 2020, the Association adopted the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Implementation of this standard required the restatement of the July 1, 2019 net asset balance of the Association related to the data portion of organization membership dues (also see Note 1), as follows:

Net Assets- July 1, 2019, as Previously Stated	$ 25,908,923
Cumulative Affect of Application of FASB No. 2014-09	(1,753,491)
Net Assets- July 1, 2019, as Restated	$ 24,155,432

The impact of adopting the new guidance caused an increase in fiscal year 2020 revenues of $158,600.

The modified retrospective method of transition requires the Association to disclose the effect of applying the new guidance on each item included in the fiscal year 2020 consolidated financial statements. The following are the line items from the consolidated statements of financial position as of June 30, 2020 that were affected, the amounts that would have been reported under the former guidance, the effects of applying the new guidance, and the balances reported under the new guidance:

	Amounts that Would Have Been Reported	Effects of Applying the New Guidance	As Reported
CURRENT LIABILITIES			
Unearned Revenue - Fees and Services	$ 2,956,846	$ 1,594,891	$ 4,551,737
NET ASSETS			
Without Donor Restrictions	$ 24,366,439	$ (1,594,891)	$ 22,771,548

The following are the line items from the consolidated statements of activities for the year ended June 30, 2020 that were affected, the amounts that would have been reported under the former guidance, the effects of applying the new guidance, and the amounts reported under the new guidance:

	Amounts that Would Have Been Reported	Effects of Applying the New Guidance	As Reported
SUPPORT AND REVENUE			
Information and Publication Services	$ 13,514,368	$ 143,232	$ 13,657,600
Membership Dues	8,449,532	18,253	8,467,785
Conference and Education Services	6,041,788	(2,885)	6,038,903
CHANGE IN NET ASSETS	$ (374,211)	$ 158,600	$ (215,611)

NOTE 11 RISK AND UNCERTAINTIES – GLOBAL PANDEMIC

The COVID-19 global pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Association, COVID-19 may impact various parts of its fiscal year 2021 operations and financial results, including potential cancellations of future conferences and meetings, travel, investment valuations, and programmatic activity that could result in a reduction of related revenues and expenses. The Association believes it is taking appropriate actions to mitigate any potential negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.

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, 2020 AND 2019
(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, 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
Change in Net Assets	(156,048)	-	(11,791)	(1,795)	(12,509)	(33,468)	-	(215,611)
Cumulative Affect of Application of FASB No. 2014-09 (Notes 1 and 10)	(1,753,491)	-	-	-	-	-	-	(1,753,491)
Net Assets - June 30, 2020	$ 32,287,722	$ (241,052)	$ 264,913	$ 15,599	$ 78,646	$ 1,168,273	$ (9,634,280)	$ 23,939,821