INSIDE Public Accounting
The competitive advantage for accounting firm leaders since 1987

THE INSIDE PUBLIC ACCOUNTING NATIONAL BENCHMARKING REPORT
The independent report on the profession since 1990.

EXECUTIVE SUMMARY
EXCERPTED IN PART

2018
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The 2018 INSIDE Public Accounting Top 300 Firm Rankings
PREFACE

The annual INSIDE Public Accounting National Benchmarking Report is one of the most complete, independent, up-to-date sets of economic and management statistics available about the accounting profession.

“Engagement = Motivation = Performance = Productivity = Profitability”
Ian Hutchinson, Chief Engagement Officer, LifebyDesign.com.au
and author of People Glue

For 29 years, INSIDE Public Accounting (IPA) has conducted the IPA Annual Survey and Analysis of Firms, one of the longest-running and most comprehensive Management of an Accounting Practice (MAP) surveys in the U.S.

Each January, IPA sends out invitations to accounting firms to participate. The IPA Annual Survey and Analysis of Firms is open through early June. Information gathered from the IPA Annual Survey and Analysis of Firms is used to compile the IPA 100, 200 and 300, a ranking of America’s largest firms, Appendix I.

Following analysis of all participating firms’ survey data, IPA names Best of the Best firms. Articles detailing the Best of the Best designation, regional breakouts and additional analyses appear annually in the IPA newsletter and IPA National Benchmarking Report.

Over the years, the IPA Annual Survey and Analysis of Firms has grown, with 532 firms taking part this year. The most accurate apples-to-apples comparisons will always be in the IPA National Benchmarking Report tables, which segment firms by revenue bands, thereby eliminating dilution of general averages due to a larger number of smaller firms.

The IPA National Benchmarking Report provides a detailed account of results from all survey participants. Data captured and highlighted in the IPA National Benchmarking Report may differ from data previously reported in IPA’s newsletters as firms continue submitting data and clarifications past each of the monthly newsletter deadlines.
EXECUTIVE SUMMARY

All commentary, data and tables exclude the non-Big 4 firms, but includes all participating national firms. Not all firms chose to answer all survey questions. Percentages cited in the following pages/tables/graphs are based on participating firms that answered those specific questions. The number of responses for each of the revenue bands is highlighted on page ix.

METHODOLOGY

Each survey submission is reviewed and examined for any outliers or errors. If a survey submission appears to be incorrect or questionable, IPA will resolve the issue with the reporting firm.

While IPA does everything possible to ensure accuracy, the participating firms bear the ultimate responsibility for providing accurate data.

Throughout this report, all data tables are presented in firm net revenue bands, geographic regions, and unique to IPA, the Best of the Best firm data. IPA does not provide data on any individual firm.
Dear Readers,

The IPA team extends our gratitude to the hundreds of accounting firms that participated in the 29th annual IPA Survey and Analysis of Firms.

Maintaining confidentiality is a responsibility that IPA takes seriously. That uncompromising commitment is the foundation of our business, and we appreciate the trust that hundreds of firms have placed in our company to gather data and present it in this report.

Consider IPA as a resource as you review benchmarking and performance improvement opportunities. Invite IPA, by Webinar or in person, to make a customized presentation at your next partner retreat. IPA can delve deeper into the trends and provide detailed information on specific areas of interest.

We look forward to continuing to serve you and the profession, and with your feedback and suggestions, we strive to improve this report every year. Feel free to contact us.

Contact survey@plattgroupllc.com to see how the lessons learned from hundreds of firms can be used to improve performance at your firm.

*Mike Platt, Kelly Platt and the IPA Team*
FIRM PARTICIPATION SUMMARY

The population of firms that participated in the 2018 IPA Annual Survey and Analysis of Firms includes the following breakouts by revenue bands and regional data.

<table>
<thead>
<tr>
<th>Firm Size in Net Revenue</th>
<th>No. of Participating Firms</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Non-Big 4</td>
<td>532</td>
</tr>
<tr>
<td>$75 Million</td>
<td>57</td>
</tr>
<tr>
<td>$50-$75 Million</td>
<td>23</td>
</tr>
<tr>
<td>$30-$50 Million</td>
<td>38</td>
</tr>
<tr>
<td>$20-$30 Million</td>
<td>73</td>
</tr>
<tr>
<td>$15-$20 Million</td>
<td>60</td>
</tr>
<tr>
<td>$10-$15 Million</td>
<td>83</td>
</tr>
<tr>
<td>$5-$10 Million</td>
<td>115</td>
</tr>
<tr>
<td>$3-$5 Million</td>
<td>61</td>
</tr>
<tr>
<td>&lt; $3 Million</td>
<td>22</td>
</tr>
</tbody>
</table>

Regional Participation

<table>
<thead>
<tr>
<th>Region</th>
<th>No. of Participating Firms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Southeast</td>
<td>138</td>
</tr>
<tr>
<td>Great Lakes</td>
<td>85</td>
</tr>
<tr>
<td>Northeast</td>
<td>115</td>
</tr>
<tr>
<td>Great Plains</td>
<td>82</td>
</tr>
<tr>
<td>West</td>
<td>112</td>
</tr>
</tbody>
</table>

IPA provides benchmarking survey services to international accounting firm associations and collects data from international firms as well. Thirty additional firms from Mexico and Europe participated in the IPA Annual Survey and Analysis of Firms survey, but their results are not included in this report.
ORGANIC REVENUE GROWTH: MOSTLY IN POSITIVE TERRITORY, SOME BIG WINNERS, SOME IN RETREAT

Average organic net revenue growth for the 532 firms that completed the IPA survey this year was just 4.6%, the lowest number since 2013. Average net revenue per charge hour is a key metric that provides a glimpse of overall fees per hour, driven by fee increases and/or higher value work. That metric rose just 2.6% last year, up to $163.10 from $158.95 for all non-Big 4 firms. Subtract from that 1.8% - the inflation rate for 2017, according to the U.S. Department of Labor - and you see a profession struggling to generate new revenue.

Just 15% of all non-Big 4 firms reported organic growth in double digits last year. Thirteen percent reported a decline in overall revenue.

In the following graph, each vertical line represents the organic growth rate of a firm, presented by revenue bands. We applaud the fastest-growing firms among them and highlight their accomplishments in the October 2018 IPA Newsletter.

2017-2018 ORGANIC REVENUE GROWTH

Source: INSIDE Public Accounting - Copyright ©2018 INSIDE Public Accounting
2017-18 HIGHLIGHTS

Top-line revenue organic growth fell this year to 4.6% and all growth fell to 6.6% down from 2017 levels of 6.3% and 8.3% respectively.

Firms above $50 million reported organic net revenue growth averaging 6.5%, down from 7.0% in 2017. When including effects of mergers, these firms averaged 9.7% growth, a decrease from last year’s 10.5% all growth rate.

Revenue per charge hour for firms above $75 million grew by $4.88 to $193.19 this year. While representing an increase of just 2.6%, it is nevertheless the largest jump of all revenue bands. Across all firms, revenue per hour increased by $4.15 cents to $163.10. Regional averages in the Northeast, increased by 1.0% while the other regions all reported an increase of 3.0%.

Billing rates are up for equity partners this year by 3.8% to an average of $358 for all firms. The largest increase was seen in the Great Lakes and Northeast, averaging $339 and $374 per hour respectively.

Across all firms, revenue per FTE (including partners, professional staff and administrative staff) increased this year to $182,618, up $3,181 from 2017. Every revenue band above $30 million experienced an increase in revenue per FTE, up on average $3,972 to $201,801.

Merger activity remains strong, with 53% of firms above $50 million reporting at least one merger last year. Across all firms, 22% reported at least one merger, with the most merger activity in the Great Lakes region, with 34% of this region acquiring at least one firm last year.

Net income growth averages slowed again to 5.0% for all firms from 5.2% in 2017. Factoring in the effects of mergers, the all growth rate slowed to 5.8%, down from 6.4% in 2017.

Firms above $50 million reported organic net income growth of 7.0% on average this year, up from 5.8% in 2017. These larger firms reported 8.5% growth including mergers, again up from the 2017 number of 7.1%.

The average equity partner compensation for all firms is 2.2 times the average non-equity partner compensation.
The highest-paid equity partner in firms above $75 million earn on average 7.7 times that of the lowest-paid equity partner, down from 8.2 in 2017. For firms between $50 million and $75 million, the ratio of highest-to-lowest is down from 5.7 in 2017 to 4.5 this year.

PARTNERSHIP

Average charge hours per equity partner remain steady at 1,052, down just four hours from 1,056 in 2017.

Equity partner compensation is up an average of $10,800, or 2.4%, to $466,853.

One in nine firms report revenue per equity partner above $3 million. Fifty-percent of these firms are under $35 million in revenue.

Staff leverage (professionals per equity partner) continues its steady growth to an average of 8.7, up from 8.2 last year. The average for firms above $30 million is 11.1 professionals per equity partner, up from 10.6 last year.

Seventy-six percent of firms indicated that they have non-equity partners among their professional staff. That number continues to rise from 57% in 2010. The Southeast region reported the highest percentage of firms having non-equity partners at 82%.

In the largest firms, those above $50 million, non-equity partners make up 32.8% of the partner group. In firms below $5 million, non-equity partners make up 16.7%.

Of all equity partners admitted last year, an average of 30% were lateral hires, up from 26% in 2017.

The average percentage of female ownership this reporting year is at 19.4%, up from 18.9% in 2017. Among firms above $50 million, the average is 16.5%, up from 15.9% last year.

In 2012, the average age of equity partners ranged from 51 to 53 years, depending on firm size. Despite Baby Boomer retirements, this year the average age is 53, with the spread inching higher from 52.5 to 54.3 years for different revenue bands.
The average age of managing partners is 56.4 years, up slightly from where it has been for many years. Among the IPA 100 firms, that number is 56.6 years.

The percentage of all firms reporting they have a written succession plan is at 40%.

Sixty-one percent of firms over $50 million reported retiring equity partners last year, down from 63% in 2017.

Retirement obligations increased to 2.2% of total net revenue, up from 2.1% in 2017 and moved from 1.8% to 1.9% for the above $75 million firms.

Of the more than 10,000 equity partners reported by participating firms, 181, or just under 2.0%, work a part-time or alternative schedule.

The percentage of all firms indicating the path to (equity) partnership is 10 years or less is at 15.7% this year. At firms above $75 million, the percentage is 5.6%.

FIRM STRUCTURE

An executive committee continues to be the most common management structure used by firms above $10 million. Management by managing partner or by majority of partners are also commonly used.

The following table, excerpted in part from the 2018 IPA Firm Administration report, outlines the frequency of the use of these models in firms of different sizes.

The last two columns show whether decision-making is more like a partnership or a corporation. Successful firms can be found in each column - the key is buy-in from the partner group on a decision-making approach.
The following table, excerpted in part from the 2018 IPA Firm Administration report, shows the average percentage of ownership by equity partners in any given firm in each revenue band.

This data can help professionals better understand the size of the equity stake they could acquire if they are admitted to the partner group.

(Disclaimer to those on the partnership track: This table shows averages and may not be representative of your firm. Additionally, many firms offer a buy-in program that may take several years to complete.)

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**OWNERSHIP**

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**EXECUTIVE SUMMARY**
EQUITY PARTNERSHIP

Percentage of Equity Partners Who Have...

<table>
<thead>
<tr>
<th>Source: INSIDE Public Accounting 2018 Firm Administration Report</th>
<th>More than 50% Ownership</th>
<th>Between 21% and 50% Ownership</th>
<th>Between 6% and 20% Ownership</th>
<th>Between 1% and 5% Ownership</th>
<th>Less than 1% Ownership</th>
</tr>
</thead>
<tbody>
<tr>
<td>FIRM SIZE (Net Revenue)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>All Non-Big 4</td>
<td>0.4%</td>
<td>2.9%</td>
<td>27.3%</td>
<td>40.9%</td>
<td>28.6%</td>
</tr>
<tr>
<td>&gt;$75 Million</td>
<td>0.0%</td>
<td>0.0%</td>
<td>2.6%</td>
<td>41.3%</td>
<td>56.1%</td>
</tr>
<tr>
<td>$50-$75 Million</td>
<td>0.4%</td>
<td>0.4%</td>
<td>11.0%</td>
<td>78.1%</td>
<td>10.1%</td>
</tr>
<tr>
<td>$30-$50 Million</td>
<td>0.0%</td>
<td>0.4%</td>
<td>39.4%</td>
<td>54.6%</td>
<td>5.7%</td>
</tr>
<tr>
<td>$20-$30 Million</td>
<td>0.3%</td>
<td>4.6%</td>
<td>48.7%</td>
<td>42.4%</td>
<td>4.0%</td>
</tr>
<tr>
<td>$15-$20 Million</td>
<td>0.5%</td>
<td>3.3%</td>
<td>78.9%</td>
<td>15.3%</td>
<td>1.9%</td>
</tr>
<tr>
<td>$10-$15 Million</td>
<td>0.0%</td>
<td>6.9%</td>
<td>75.7%</td>
<td>12.7%</td>
<td>4.6%</td>
</tr>
<tr>
<td>$5-$10 Million</td>
<td>5.0%</td>
<td>24.8%</td>
<td>52.5%</td>
<td>13.9%</td>
<td>4.0%</td>
</tr>
<tr>
<td>$2-$5 Million</td>
<td>4.5%</td>
<td>50.0%</td>
<td>22.7%</td>
<td>22.7%</td>
<td>0.0%</td>
</tr>
</tbody>
</table>

REVENUE

Top-line revenue organic growth fell this year to 4.6% and all growth fell to 6.6% down from 2017 levels of 6.3% and 8.3% respectively.

Fifty-seven percent of responding firms indicate no revenue from something other than charge hours.

Firms below $50 million collectively report total net revenue of $216 million from something other than charge hours. Total revenue for this group is $6.4 billion.

Firms with more than 65% of revenue coming from audit services report net revenue per charge hour of $149.84 and revenue per FTE of $175,964.
Firms with more than 65% of revenue coming from tax services report net revenue per charge hour of $190.31 and revenue per FTE of $207,719.

Firms reporting more than 65% of net revenue generated from all other, non-traditional services report revenue per charge hour of $193.49 with revenue per FTE at $210,319.

Of all participating firms, 4.0% report organic net revenue growth above 15%.

Of all firms, 13.1% report a decrease in organic net revenue, with three-quarters of these firms in the under $15 million revenue band.

Firms above $50 million averaged organic net revenue growth of 6.5%. That number rises to 9.7% when factoring in mergers.

Firms between $20 - $50 million averaged organic net revenue growth of 6.1% and 7.7% factoring in mergers.

Firms under $20 million report average organic net revenue growth of 3.8%, which increases to 5.6% with mergers.

PROFIT

Traditional profit margins (net income as a percentage of net revenue) are down across every revenue band and region, with the exception of the $10 million to $15 million firms. The national average is now at 28.3%, down from 29.1% in 2017.

Firms in the $30 million to $50 million revenue band experienced the most pressure on profitability, which now averages 24.7%, down from 24.9% in 2017. This decline translates to an average net income per charge hour of $42.73, down $4.87. For firms above $75 million, this metric is up to $51.28.

Average charge hours per professional (excluding equity partners) are up for all revenue bands above $30 million. Firms of more than $75 million report an increase on average of 23 hours above 2017 levels. The revenue bands below $30 million saw a moderate decrease in charge hours per professional.
Cash collections are improving for firms under $50 million, with accounts receivable (A/R) as a percentage of net revenue at 14.6%, slightly down from 15.1% for the same group in 2017. Firms above $50 million were affected more negatively, with A/R inching up from 13.5% to 14.4%. That small increase equates to an additional $450,000 in A/R for a $50 million firm.

Cash collections improved on most overdue debts, with the percentage of A/R over 90 days dropping in every region, with a national average of 27.3%.

Retirement obligations increased to 2.2% of total net revenue (up from 1.9% in 2014) and moved from 1.8% to 1.9% for the above $75 million firms.

Personnel costs as a percentage of net revenue continue to increase, averaging 50.5% for firms above $30 million. That same group was at 48.7% last year. All firms now average 48.4% of revenue, up from 46.6% last year.

PROFIT MARGINS CONTINUE A DOWNWARD SHIFT

Over the last decade, firms have found it difficult to increase traditional profit margins (net income as a percent of net revenue before equity partner compensation).

All revenue bands experienced a decline in profitability this year - except for the $10 - $15 million group. The issues contributing to the decline include rising personnel and health care costs, increased leverage, fee pressures, investments in the future, and over-staffing in anticipation of growth.
EXECUTIVE SUMMARY

WHAT CONTINUES TO FUEL THE DECLINING PROFIT MARGINS SINCE THE RECESSION

As firms get larger, profit margins have always trended downward.

Price wars have driven down the top line, putting a squeeze on what is possible on the bottom line.

The costs of health care and other employee benefits continue to rise.

Heavy turnover post-recession, combined with staff shortages have driven up compensation for new hires and for lateral hires.

A significant number of acquisitions in the last several years have not shaken out to optimum efficiency levels, with some overhead still to be trimmed.

Firms are admitting more non-equity partners than equity partners (non-equity partners’ salaries are counted as an above-the-line expense where equity partners’ compensation is not, increasing expenses as staff move up the ranks to partnership).

Firms are increasing staff merit raises (averaging 6 - 7% last year) at a pace faster than billing rates (averaging 4.0 - 4.5%).

Firms are upgrading and adding to their C-Suite staff (at a higher salary) to ensure a more professional team is available to finetune firm operations.

COMPENSATION

The additional compensation that managing partners receive to manage the firm ranges from 6% higher than all equity partner compensation in firms under $3 million, to 34% higher in the $30 million to $50 million firms. At firms $50 million to $75 million, the premium for managing partner compensation above average equity partner compensation rises to 62% and jumps to 198% more in the above $75 million firms.
EXECUTIVE SUMMARY

The additional dollars for the managing partner is greatest in the Northeast, at 63% above average equity partner compensation, and is lowest in the Great Plains at just 35%.

The highest-paid to lowest-paid equity partner ratio for all firms has climbed to 2.9-to-1.

Fifty-four percent of all firms indicate that the managing partner is the highest-paid equity partner. Seventy percent of firms over $75 million indicate that the MP is the highest-paid partner.

Non-equity partner compensation averages $207,738, up 0.5% from last year.

Average professional staff compensation rose 2.5% to $81,068, up from $79,125 in 2017.

The 0- to 2-year experienced staff in the largest firms, above $75 million, now average $60,981. Across all revenue bands, this group averages $54,330.

Open compensation systems are used in the majority of firms below $15 million. Firms in the $15 million to $20 million revenue band are evenly split between open and closed systems. Firms above $20 million favor closed systems, with a full 83% of firms above $75 million indicating a closed compensation system.

STAFFING

Personnel costs as a percentage of revenue continue to increase, averaging 50.5% for firms above $30 million. That same group was at 48.7% last year. All firms now average 48.4% of revenue, up from 46.6% last year.

Professional staff turnover increased this year, to 12.9% nationwide from 12.4% for the 2017 reporting year. For every professional staff member terminated, 3.4 left voluntarily.
Professional staff have an average tenure of 6.6 years, consistent with 2017, but roughly one year longer than a decade ago. Over the last decade, the tenure of professional staff employed at the largest firms, those over $75 million, trailed the all-firm average by as little as six months in 2007 to as much as 1.4 years in 2011. At that time, the average tenure was 4.5 years for professional staff at firm of over $75 million.

The average percentage of total professional staff with a CPA license continues to inch downward, as the possibilities for non-CPA professionals expand due to more non-traditional services. While it is true that some professional staff simply have not yet sat for the exam, across all firms, CPAs now make up an average of 56.8% of all professional staff, including all partners. This number has dipped below the 50% mark, for firms above $25 million.

The ratio of professionals per administrative staff is now at 5.8 professionals for every one administrative staff person.

Formal training for emerging leaders is up in every region, now in use by 64% of firms, compared to 59% of firms in 2017.
SHOULD STAFF KNOW A FIRM’S METRICS?

A universal goal of firms across the globe is to turn their professional staff into better business advisors for their clients. Countless hours of training, apprenticeship, mentoring, coaching and on-the-job experience are invested every year to help accomplish this goal.

Professional staff are privy to the most sensitive financial information about a firm’s clients, but what about the financial information of the firm itself? Are firm leaders exposing staff to key metrics, so they can become better informed about how they can help the firm succeed? In the true “cobbler’s children” syndrome, accounting firm leaders often make sensitive data about the firm available to partners only, resulting - rightly or wrongly - in a perception among some staff that the information is considered “top secret.”
The graph below highlights in orange those firms that share summarized metrics with all staff. In these cases, staff are:

1) grateful for the trust being placed in them to know the numbers
2) more engaged in problem-solving to help “right the ship” when needed
3) have a better understanding of how the firm makes money overall
4) appreciate the extra information when deciding whether to consider a partner track.

The following graph shows the percentage of firms that share various sensitive metrics with different groups within the firm.

What’s your firm’s philosophy toward sharing metrics with staff? Does your approach serve the firm well? Could the firm benefit if you changed your approach? What are the risks? Firm leaders should ask themselves these questions on a regular basis so that the strategy doesn’t become a case of “this is how we’ve always done it.”

### FIRM METRICS SHARED WITH STAFF LEVELS

<table>
<thead>
<tr>
<th>Metric</th>
<th>All staff</th>
<th>Profit Margin</th>
<th>Firmwide Utilization</th>
<th>Departmental Utilization</th>
<th>Revenue per Hour</th>
<th>Net Income</th>
<th>Realization</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Revenue</td>
<td>57%</td>
<td>17%</td>
<td>34%</td>
<td>22%</td>
<td>22%</td>
<td>10%</td>
<td>26%</td>
</tr>
<tr>
<td>Profit Margin</td>
<td>6%</td>
<td>63%</td>
<td>8%</td>
<td>9%</td>
<td>4%</td>
<td>0%</td>
<td>5%</td>
</tr>
<tr>
<td>Firmwide Utilization</td>
<td>22%</td>
<td>35%</td>
<td>41%</td>
<td>19%</td>
<td>4%</td>
<td>5%</td>
<td>33%</td>
</tr>
<tr>
<td>Departmental Utilization</td>
<td>8%</td>
<td>34%</td>
<td>8%</td>
<td>9%</td>
<td>3%</td>
<td>4%</td>
<td>31%</td>
</tr>
<tr>
<td>Revenue per Hour</td>
<td>9%</td>
<td>17%</td>
<td>41%</td>
<td>17%</td>
<td>7%</td>
<td>74%</td>
<td>33%</td>
</tr>
<tr>
<td>Net Income</td>
<td>5%</td>
<td>11%</td>
<td>35%</td>
<td>41%</td>
<td>74%</td>
<td>74%</td>
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</tr>
<tr>
<td>Realization</td>
<td>26%</td>
<td>57%</td>
<td>34%</td>
<td>22%</td>
<td>22%</td>
<td>10%</td>
<td>26%</td>
</tr>
</tbody>
</table>

Source: INSIDE Public Accounting - Copyright ©2018 INSIDE Public Accounting
WHAT’S THE CORRELATION BETWEEN STAFF TURNOVER AND . . .?

In a world of talent shortages, almost 0% unemployment in the profession, and continued high turnover, firms of all sizes are trying to determine the measurable factors that determine staff turnover. Looking at all participating firms, we consider the correlation between professional staff turnover and some of the likely suspects. Note: This number just shows the correlation and is not necessarily related to causation.

<table>
<thead>
<tr>
<th>Correlation Coefficient*</th>
<th>Metric</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.22</td>
<td>Human Resources Consulting Revenue as Percentage of Total</td>
</tr>
<tr>
<td>0.19</td>
<td>3- to 5-year Staff as a Percentage of Total Staff</td>
</tr>
<tr>
<td>0.19</td>
<td>Percentage of Firm Chg. Hrs. Billed by 3- to 5-year Staff</td>
</tr>
<tr>
<td>0.14</td>
<td>Percentage of Firm Chg. Hrs. Billed by All Staff (Excl. Equity Partners)</td>
</tr>
<tr>
<td>0.14</td>
<td>Work Hours of 9+ Year Staff</td>
</tr>
<tr>
<td>0.13</td>
<td>Total Revenue</td>
</tr>
<tr>
<td>0.12</td>
<td>Computer Consulting Revenue as Percentage of Total</td>
</tr>
<tr>
<td>0.11</td>
<td>Percentage of Newly Admitted Partners as Lateral Hires</td>
</tr>
<tr>
<td>0.10</td>
<td>Leverage (Professionals per Equity Partner)</td>
</tr>
<tr>
<td>0.09</td>
<td>Work Hours for Equity Partners</td>
</tr>
<tr>
<td>0.09</td>
<td>Business Advisory Consulting Revenue as Percentage of Total</td>
</tr>
<tr>
<td>0.08</td>
<td>Staff Utilization (Hours)</td>
</tr>
<tr>
<td>0.08</td>
<td>0- to 2-year Staff as a Percentage of Total Staff</td>
</tr>
<tr>
<td>0.08</td>
<td>Non-Traditional Revenue as Percentage of Total</td>
</tr>
<tr>
<td>0.03</td>
<td>Average Charge Hours of All Professional Staff</td>
</tr>
<tr>
<td>0.01</td>
<td>Net Income per Equity Partner</td>
</tr>
<tr>
<td>-0.02</td>
<td>A&amp;A Revenue as Percentage of Total</td>
</tr>
<tr>
<td>-0.03</td>
<td>Tax Revenue as Percentage of Total</td>
</tr>
<tr>
<td>-0.05</td>
<td>Revenue Growth Rate</td>
</tr>
<tr>
<td>-0.07</td>
<td>Average Work Hours 6- to 8-year Professional Staff</td>
</tr>
<tr>
<td>-0.08</td>
<td>Income Growth Rate</td>
</tr>
<tr>
<td>-0.10</td>
<td>Percentage of Total Hours Charged Between Jan. and April</td>
</tr>
<tr>
<td>-0.10</td>
<td>Percentage of CPAs Among Professional Staff</td>
</tr>
<tr>
<td>-0.12</td>
<td>9+ year Professional Staff as a Percentage of Total</td>
</tr>
<tr>
<td>-0.12</td>
<td>Percentage Partners are Billable</td>
</tr>
<tr>
<td>-0.18</td>
<td>Profit Margin</td>
</tr>
</tbody>
</table>

* A positive correlation means as one metric increases, so does the other. A negative correlation means as one goes up, the other goes down.
In a similar exercise as the previous page, we look at the various metrics and their impact on profitability. In this case, we use “fully loaded” profitability, meaning the firm records an expense (above the line) for equity partner time at a rate 20% higher than hourly wages of 9+ year experienced staff, then the resulting profit margin is correlated with the various metrics. So how did this work out?

<table>
<thead>
<tr>
<th>Correlation Coefficient*</th>
<th>Metric</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.45</td>
<td>Revenue per FTE</td>
</tr>
<tr>
<td>0.31</td>
<td>Revenue per Charge Hour</td>
</tr>
<tr>
<td>0.30</td>
<td>Revenue per Square Foot</td>
</tr>
<tr>
<td>0.24</td>
<td>Realization Percentage</td>
</tr>
<tr>
<td>0.23</td>
<td>Percentage Billable Equity Partners</td>
</tr>
<tr>
<td>0.20</td>
<td>Percentage of CPAs Among Professional Staff</td>
</tr>
<tr>
<td>0.19</td>
<td>3- to 5-year Professional Staff Billing Rate</td>
</tr>
<tr>
<td>0.18</td>
<td>Organic Revenue Growth</td>
</tr>
<tr>
<td>0.16</td>
<td>Firm Capital as a Percentage of Revenue</td>
</tr>
<tr>
<td>0.15</td>
<td>All Revenue Growth</td>
</tr>
<tr>
<td>0.12</td>
<td>Tax Revenue as a Percentage of Total</td>
</tr>
<tr>
<td>-0.05</td>
<td>Non-traditional Revenue as a Percentage of Total</td>
</tr>
<tr>
<td>-0.07</td>
<td>A&amp;A Revenue as a Percentage of Total</td>
</tr>
<tr>
<td>-0.10</td>
<td>Square Feet per Person</td>
</tr>
<tr>
<td>-0.11</td>
<td>Leverage (Professionals per Equity Partner)</td>
</tr>
<tr>
<td>-0.12</td>
<td>9+ year Professional Staff Work Hours</td>
</tr>
<tr>
<td>-0.14</td>
<td>Professional Staff Turnover Rate</td>
</tr>
<tr>
<td>-0.16</td>
<td>Work Hours of Equity Partners</td>
</tr>
<tr>
<td>-0.17</td>
<td>Marketing Costs as a Percentage of Revenue</td>
</tr>
<tr>
<td>-0.20</td>
<td>Rent / Occupancy Costs as a Percentage of Revenue</td>
</tr>
<tr>
<td>-0.27</td>
<td>Human Resources Consulting Revenue as Percentage of Total</td>
</tr>
<tr>
<td>-0.44</td>
<td>Personnel Costs as a Percentage of Total</td>
</tr>
</tbody>
</table>

* A positive correlation means as one metric increases, so does the other. A negative correlation means as one goes up, the other goes down.
IPA 100 SNAPSHOT

Number of Mergers Reported by IPA 100: 95

Equity Partner Age: 52.8

Professional Staff Compensation: $88,692

Equity Partner Bill Rate: $442

Net Income per Charge Hour: $49.20

Professional Staff Turnover: 15.5%

Percentage of Female Ownership: 17.5%

Net Income Growth of The IPA 50: 10.0%

Net Income Growth of the IPA No. 51 - 100: 7.1%

Technology Cost as a Percentage of Revenue: 4.2%
EXECUTIVE SUMMARY

IPA 200 SNAPSHOT

33
Number of Mergers Reported by IPA 200

$85,599
Professional Staff Compensation

$381
Equity Partner Bill Rate

53.1
Equity Partner Age

$49.19
Net Income per Charge Hour

13.3%
Professional Staff Turnover

18.2%
Percentage of Female Ownership

3.1%
Net Income Growth of the IPA No. 101 - 150

5.1%
Net Income Growth of the IPA No. 151 - 200

4.2%
Technology Cost as a Percentage of Revenue
IPA 300 SNAPSHOT

EXECUTIVE SUMMARY

Number of Mergers Reported by IPA 300: 26

Professional Staff Compensation: $78,727

Equity Partner Bill Rate: $347

Equity Partner Age: 52.8

Net Income per Charge Hour: $45.62

Professional Staff Turnover: 12.1%

Percentage of Female Ownership: 19.3%

Technology Cost as a Percentage of Revenue: 4.3%

Net Income Growth of the IPA No. 251 - 300: 4.3%

Net Income Growth of the IPA No. 201 - 250: 10.7%

Net Income Growth of the IPA No. 101 - 200: 5.8%
EXECUTIVE SUMMARY

FIRM GOVERNANCE

Top 10 Tools of Governance With Highest Differential Between Large and Small Firms Usage

- Written Partner Performance Reviews
- Formal Marketing Plan
- Formal Requirements to Become Non-Equity Partner
- Diversity Recruiting Plan
- Department Strategic Plan
- Formal Training Program - Current Partners
- Formal Training Program - Emerging Leaders
- Formal Training Program - All Professional Staff
- Firmwide Strategic Plan
- Formal Requirements to Become Equity Partner

Categories:
- > $50M
- $30-$50M
- $20-$30M
- $10-$20M
- $5-$10M
- < $5M
EXECUTIVE SUMMARY

Additional Tools of Governance Ranked By Differential Between Large and Small Firms Usage

<table>
<thead>
<tr>
<th>Tool</th>
<th>&gt; $50M</th>
<th>$30-$50M</th>
<th>$20-$30M</th>
<th>$10-$20M</th>
<th>$5-$10M</th>
<th>&lt;$5M</th>
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<tbody>
<tr>
<td>Written Partner Code of Conduct</td>
<td></td>
<td></td>
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<tr>
<td>Written Succession Plan</td>
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<tr>
<td>Formal Mentoring All Professional Staff</td>
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<tr>
<td>Mandatory Retirement</td>
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<td>360 Reviews</td>
<td></td>
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<tr>
<td>Disaster Recovery Plan</td>
<td></td>
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<tr>
<td>Upward Evaluations</td>
<td></td>
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<tr>
<td>Formal Client Acceptance Guidelines</td>
<td></td>
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<tr>
<td>Written Firm Vision</td>
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<tr>
<td>Written Core Values</td>
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<tr>
<td>Advisory Board</td>
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<td></td>
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<tr>
<td>Signed Partnership Agreements</td>
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</tbody>
</table>
INSIDE PUBLIC ACCOUNTING’S
EXCELLENCE IN FIRM CULTURE
SURVEY AND AWARD

SCHEDULED FOR MAY 2019

APPLY FOR THE 2019 IPA EXCELLENCE IN FIRM CULTURE AWARD.

IPA is excited to announce the addition of the Excellence in Firm Culture survey and corresponding award to the portfolio of our services.

For decades, IPA has been a trusted resource to firms with innovative concepts to improve their firms. Our mission continues to be to assisting firm leaders in making their firms more efficient, growth-minded, profitable and forward-looking.

Whether we are researching the latest trends, benchmarking the leading firms, surveying key staff, or working with leaders to share and garner knowledge, we are always looking for ways to help firms achieve their potential.

APPLY TODAY

https://tinyurl.com/ipaculture

There is no cost, or commitment to submit your application.
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Firm____________________________________________

Mailing Address __________________________________

_________________________________________________

City ______________________ State _________________

Zip_________________________ Phone __________________

Association________________________

Email Address____________________

Amount Due: ____________________________

Payment: Check    Visa    MasterCard    Amex

Card # ____________________________ Security Code _____________

Exp. Date ________________

Name__________________________________________

Billing Address __________________________________

_________________________________________________

City ______________________ State _________________

Zip__________________________

SPECIAL INSTRUCTIONS:______________________________

__________________________________________________________________________

Please make checks payable to:

The Platt Consulting Group
4000 W. 106th St, Ste. 125-197
Carmel IN 46032
P (317) 733-1920
F (317) 663-1030
Email: info@plattgroupllc.com
www.insidepublicaccounting.com

2018 REPORTS
## NET INCOME REALIZATION

<table>
<thead>
<tr>
<th>FIRM SIZE (Net Revenue)</th>
<th>Percentage of Total Net Income Distributed to Partners</th>
<th>Percentage of Total Net Income Available for Reinvestment</th>
<th>Net Income per Hour</th>
<th>Realization Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Non-Big 4</td>
<td>94.0%</td>
<td>6.0%</td>
<td>$46.84</td>
<td>82.8%</td>
</tr>
<tr>
<td>&gt;$75 Million</td>
<td>93.9%</td>
<td>6.1%</td>
<td>$51.28</td>
<td>77.0%</td>
</tr>
<tr>
<td>$50-$75 Million</td>
<td>93.2%</td>
<td>6.8%</td>
<td>$50.03</td>
<td>80.1%</td>
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<tr>
<td>$30-$50 Million</td>
<td>97.4%</td>
<td>2.6%</td>
<td>$42.73</td>
<td>83.2%</td>
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<tr>
<td>$20-$30 Million</td>
<td>95.6%</td>
<td>4.4%</td>
<td>$51.16</td>
<td>81.4%</td>
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<tr>
<td>$15-$20 Million</td>
<td>94.7%</td>
<td>5.3%</td>
<td>$47.80</td>
<td>83.5%</td>
</tr>
<tr>
<td>$10-$15 Million</td>
<td>93.4%</td>
<td>6.6%</td>
<td>$44.39</td>
<td>83.8%</td>
</tr>
<tr>
<td>$5-$10 Million</td>
<td>93.6%</td>
<td>6.4%</td>
<td>$44.16</td>
<td>83.1%</td>
</tr>
<tr>
<td>$3-$5 Million</td>
<td>94.9%</td>
<td>5.1%</td>
<td>$50.98</td>
<td>85.1%</td>
</tr>
<tr>
<td>&lt; $3 Million</td>
<td>83.6%</td>
<td>16.4%</td>
<td>$38.92</td>
<td>86.2%</td>
</tr>
<tr>
<td>IPA Best of the Best</td>
<td>94.9%</td>
<td>5.1%</td>
<td>$78.72</td>
<td>85.0%</td>
</tr>
</tbody>
</table>

### REGIONAL DATA

<table>
<thead>
<tr>
<th>REGIONAL DATA</th>
<th>Percentage of Total Net Income Distributed to Partners</th>
<th>Percentage of Total Net Income Available for Reinvestment</th>
<th>Net Income per Hour</th>
<th>Realization Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Southeast</td>
<td>94.5%</td>
<td>5.5%</td>
<td>$46.19</td>
<td>83.3%</td>
</tr>
<tr>
<td>Great Lakes</td>
<td>91.9%</td>
<td>8.1%</td>
<td>$45.73</td>
<td>83.6%</td>
</tr>
<tr>
<td>Northeast</td>
<td>94.4%</td>
<td>5.6%</td>
<td>$45.47</td>
<td>79.6%</td>
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<tr>
<td>Great Plains</td>
<td>94.9%</td>
<td>5.1%</td>
<td>$44.79</td>
<td>83.6%</td>
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<tr>
<td>West</td>
<td>93.7%</td>
<td>6.3%</td>
<td>$51.15</td>
<td>84.2%</td>
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</tbody>
</table>
## MARKETING STAFF / REVENUE GROWTH

<table>
<thead>
<tr>
<th>FIRM SIZE (Net Revenue)</th>
<th>Percentage of Firms With Marketing Director on Staff*</th>
<th>Percentage of Firms With Marketing Coordinator on Staff*</th>
<th>Average Net Rev. Growth (Organic) WITH Marketing Directors*</th>
<th>Avg. Net Rev. Growth (Organic) WITHOUT Marketing Directors*</th>
<th>Avg. Net Rev. Growth (Organic) All Firms</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Non-Big 4</td>
<td>48.7%</td>
<td>44.1%</td>
<td>5.8%</td>
<td>3.7%</td>
<td>4.6%</td>
</tr>
<tr>
<td>&gt;$75 Million</td>
<td>95.7%</td>
<td>64.4%</td>
<td>6.5%</td>
<td>7.7%</td>
<td>6.8%</td>
</tr>
<tr>
<td>$50-$75 Million</td>
<td>95.5%</td>
<td>86.4%</td>
<td>5.9%</td>
<td>3.8%</td>
<td>5.7%</td>
</tr>
<tr>
<td>$30-$50 Million</td>
<td>82.9%</td>
<td>73.5%</td>
<td>6.3%</td>
<td>7.3%</td>
<td>6.5%</td>
</tr>
<tr>
<td>$20-$30 Million</td>
<td>62.3%</td>
<td>68.1%</td>
<td>6.9%</td>
<td>4.2%</td>
<td>5.8%</td>
</tr>
<tr>
<td>$15-$20 Million</td>
<td>46.6%</td>
<td>58.6%</td>
<td>4.4%</td>
<td>4.8%</td>
<td>4.6%</td>
</tr>
<tr>
<td>$10-$15 Million</td>
<td>45.1%</td>
<td>37.8%</td>
<td>7.7%</td>
<td>2.7%</td>
<td>4.9%</td>
</tr>
<tr>
<td>$5-$10 Million</td>
<td>34.2%</td>
<td>24.6%</td>
<td>3.1%</td>
<td>3.9%</td>
<td>3.6%</td>
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<tr>
<td>$3-$5 Million</td>
<td>8.5%</td>
<td>15.3%</td>
<td>0.6%</td>
<td>2.0%</td>
<td>1.9%</td>
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<tr>
<td>&lt; $3 Million</td>
<td>5.0%</td>
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<td>0.0%</td>
<td>3.0%</td>
<td>2.8%</td>
</tr>
<tr>
<td>IPA Best of the Best</td>
<td>60.0%</td>
<td>48.0%</td>
<td>12.4%</td>
<td>8.7%</td>
<td>10.9%</td>
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</tbody>
</table>

### REGIONAL DATA

<table>
<thead>
<tr>
<th>Region</th>
<th>Percentage of Firms With Marketing Director on Staff*</th>
<th>Percentage of Firms With Marketing Coordinator on Staff*</th>
<th>Average Net Rev. Growth (Organic) WITH Marketing Directors*</th>
<th>Avg. Net Rev. Growth (Organic) WITHOUT Marketing Directors*</th>
<th>Avg. Net Rev. Growth (Organic) All Firms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Southeast</td>
<td>54.9%</td>
<td>40.6%</td>
<td>5.1%</td>
<td>4.7%</td>
<td>4.9%</td>
</tr>
<tr>
<td>Great Lakes</td>
<td>56.4%</td>
<td>45.5%</td>
<td>5.1%</td>
<td>5.1%</td>
<td>5.1%</td>
</tr>
<tr>
<td>Northeast</td>
<td>47.2%</td>
<td>50.5%</td>
<td>5.1%</td>
<td>2.4%</td>
<td>3.6%</td>
</tr>
<tr>
<td>Great Plains</td>
<td>47.4%</td>
<td>46.2%</td>
<td>6.2%</td>
<td>3.4%</td>
<td>4.7%</td>
</tr>
<tr>
<td>West</td>
<td>38.0%</td>
<td>39.8%</td>
<td>8.0%</td>
<td>3.3%</td>
<td>5.0%</td>
</tr>
</tbody>
</table>

*Includes both full-time and part-time.
WELCOME TO
INSIDE PUBLIC ACCOUNTING

About Us

The Platt Group / INSIDE Public Accounting (IPA) provides firm leaders with innovative concepts to improve their firms.

The Platt Group publishes two award-winning publications: the subscription-based INSIDE Public Accounting newsletter and the annual IPA Benchmarking Report. These publications, along with other benchmarking tools, assist leaders in making their firms more efficient, profitable, innovative, forward-looking and attractive to a new generation of professionals.

INSIDE Public Accounting is dedicated to helping firm leaders, and their firms, achieve their ultimate potential. Whether we are researching the latest trends, benchmarking the leading firms, or working with leaders to share and garner knowledge, we are always looking for ways to help.

Kelly Platt and Mike Platt
Principals, The Platt Group / INSIDE Public Accounting

“I have subscribed to INSIDE Public Accounting for more than 10 years. They are one of the best sources for breaking industry news, articles, practice management analysis and best practices within the profession. All firm leaders should consider IPA as a trusted advisor in the industry.”

– Jamie Ellis
Katz Sapper & Miller
What Makes INSIDE Public Accounting Unique

INSIDE Public Accounting collects and analyzes more financial and operational data than anyone in the public accounting profession. IPA is the independent leader for the profession, and is not tied with a consulting or association division.

Firm leaders have trusted IPA with their firms’ financial and operational data for more than 30 years to compile one of the longest-running, most comprehensive benchmarking (MAP) reports within the profession. Annually, hundreds of firms participate in IPA’s survey, which benchmarks firms ranging in size from $1 million to $1 billion across North America. IPA’s annual award-winning National Benchmarking Report and the monthly newsletter have earned the respect of the top minds in the industry.

The survey is the basis of all that is done at IPA, as it provides the information that is analyzed in the benchmarking report and in newsletter articles that aim to help leaders push their firms to grow, become more profitable and better serve their clients.

Clients

570+ Accounting Firms
13,000 Accounting Firm Partners
IPA 100 – The Big 4 firms and firms above $37 million in net revenue
IPA 200 – Firms ranging from $37 million to $16 million in net revenue
IPA 300 – Firms ranging from $16 million to $10 million in net revenue

Partner Intl. Associations

Alliott Group / CPAmerica / DFK International / HLB International / INPACT Americas / LEA Global / Moore Stephens North America / PrimeGlobal

Audience

Managing Partners
Partners and Owners
CEOs, COOs and CFOs
Administrators
Consultants and Educators

Advertisers

Consultants
Vendors
Associations
The IPA Financial and Operational Report card is a one-page historical snapshot of your firm’s performance in 23 metrics compared with all IPA survey participants, firms in your revenue band and the current IPA Best of the Best firms. The Report Card – broken out by top, middle and bottom quartiles – allows you to quickly see where your firm is doing well and the areas that may need extra attention.

“GBQ has been an avid subscriber to the IPA Financial & Operational Report Card which shows our ranking compared to all firms and firms of our size. We share this to let our associates know which of these metrics GBQ has been successful at compared to our peers, as well as those from which we need improvement. We also track our standing in these measures year by year to track the trend of these metrics compared to our peers. These metrics have been extremely valuable in not only assisting us in managing our business, but also giving our associates an understanding of the trends and benchmarks across the industry.”

– Shaun Powell, Director of Finance, GBQ Holdings
The Monthly Subscription-Based Newsletter

The Award-Winning Newsletter
for Leaders within the Accounting Profession

The IPA subscription-based monthly newsletter features trends, strategies and next practices that public accounting firms are using to move from idea to execution. You will find in-depth interviews with leaders of the Best of the Best firms, most-admired peers, and the top influencers around the country and the globe.

Complimentary Samples

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- Reach the decision-makers at small, mid-size and large firms across the nation.
- Deliver your message alongside highly sought-after reviews and articles accounting firm professionals rely on for best practices.
- Combine web, monthly newsletters, e-news updates, and other products to enhance your message.
- Build awareness, engagement and sales leads through targeted campaigns.
Who’s Behind IPA

Kelly Platt, managing partner of INSIDE Public Accounting and an owner in The Platt Group, has worked within the profession since 1994, Kelly has developed a deep understanding of the inner workings of CPA firms and is a co-founder of AccountingWEB.com. Kelly directs all aspects of IPA’s monthly IPA newsletter and the annual IPA survey and analysis of firms.

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Mike Platt, managing partner of The Platt Group, has been working with firms since 1985. Mike has assisted large local and regional firms across North America grow and thrive. Mike brings successful ideas, approaches and information to firms across the globe. A sought-after presenter, Mike specializes in benchmarking trends and analysis, and partner retreat facilitation.

Email: mplatt@plattgroupllc.com
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