

18th
Annual
Edition

2016

Based on 2015
Firm Results

THE Rosenberg Survey



THE 2016 ROSENBERG MAP SURVEY BASED ON 2015 NUMBERS

TABLE OF CONTENTS

	<u>Page</u>
The Rosenberg MAP Survey: Results at a Glance	1
Executive Summary	2
Consultants' Observations	12
Detailed Analysis	
Demographics of Survey Participants.....	25
Age of the Partners.....	26
Audit Practice Impact on Key Metrics.....	26
Bigger Firms and Profitability.....	27
Billing Rates of Partners within the Same Population Market	28
Billing Rates: Do Firms With High Rates Have Lower Realization?	29
Client Retention: Acquiring a Firm vs. Internal Retirements	29
Dress Code.....	30
Elite Firms Analysis.....	31
Gender Mix and Percentage of Female Partners.....	33
Financial Services	33
Managing Partners' Client Responsibilities.....	34
New Partner Buy-In	34
New Partner Compensation	35
Non-Equity Partner Position: A Growing Trend	35
Partner Agreements.....	36
Partner Charge Hours and IPP	37
Partner Compensation Systems.....	39
Partner Retirement/Buyout	41
Partner Retirement Plans: Penalty if clients leave the firm	42
Partner Retirement Plans: How many firms are making goodwill based payments?	43
Partner Retirement: Mandatory retirement	43
Profitability Measurement	44
Small Cities and Profitability.....	46
Staff Billable Hours	47
Staff to Partner Ratio Correlated to Income Per Partner.....	48
States: Profitability and Growth for Certain States.....	49
Tax Season Impact on Staff Billable Hours.....	50
 Which Statistics Correlate Most With Firm Profitability?.....	 51

Information About Our Survey	52
Definitions and Explanations of Terms	54
Key Statistics and Ratios:	
All Groups	56
Firms Over \$20 Million in Net Fees	57
Firms \$10-20 Million in Net Fees	58
Firms \$2-\$10 Million in Net Fees	59
Firms Under \$2 Million in Net Fees	60
Sole Practitioners	61
Analysis by 6 Sizes of Firms	62
Analysis by 4 Sizes of Population Markets	63
Analysis by 4 Geographic Regions of the Country	64
Percentile Analysis for Multi-Partner Firms	65
Raw Data, Firm-by-Firm, Row-by-Row:	
Firms Over \$20 Million in Net Fees	66
Firms \$10-20 Million in Net Fees	77
Firms \$2-\$10 Million in Net Fees	99
Firms Under \$2 Million in Net Fees	165
Sole Practitioner	176

TOP 10 FINDINGS IN THIS YEAR'S SURVEY

(Not listed in order or priority, but close to it)

1. Revenue growth of 8.1% bests the prior year's 6.7%, the strongest revenue showing since 2008. 30% of firms grew by more than 10% and 60% grew by more than 5%.
2. Mergers continue to have a huge impact on revenue growth. This year, 28% of firms' revenue increase was from mergers.
3. Income per partner was \$406,000, 3.6% higher than the prior year, the highest increase in profitability since 2007.
4. 2015 was the year of dramatically stronger leverage. Each size range of firms increased their staff-partner ratios from 7% to 14%. These increases were across the board.
5. A shocker was the reduction in the number of partners. Despite the robust revenue growth in the industry, each size range of firms experienced a decrease in their partner ranks that ranged from 2% to 9%. This played a huge role in the dramatic increase in leverage.
6. Another shocker – and a disappointing one as well - was the first-ever decline in our survey's history of the percentage of female partners. After posting increases every year since the 13.6% in 2006 when we started measuring this metric, the percentage of female partners this year was 16.3%, down from 17.2% last year. Based on our experience, and that of our 17 consulting colleagues, we believe this is a statistical anomaly. Our research indicates a gradual increase in the rate at which women are becoming partners. We are also seeing an increase in the number of female MPs.
7. Consulting revenues increased, particularly among firms over \$10M.
8. The steady conversion of CPA firm partner compensation systems to compensation committees from formulas continues its years-long trend.
9. The aging of CPA firm partners took an unexpected twist – for the first time in memory, the number of partners over age 50 declined from the prior year. This figure relentlessly increased to a peak last year of 69.9%, but this year, declined to 65.6%. This may be a signal that the cumulative number of partner retirements has finally reached an historic high.
10. New partner buy-ins increased this year to \$163,000 from \$144,000 last year, an increase of 13%.

OBSERVATIONS OF THE CPA INDUSTRY BY 17 OF THE TOP CONSULTANTS TO THE PROFESSION

Every year, we ask the industry's top consultants to share their observations of what they are seeing at CPA firms. Specifically, we ask them the following questions:

1. What kind of year was 2015? What were the major trends you observed? What were the issues you saw firms struggling with the most?
2. 2016 is half over. Based on your experiences this year, what are you seeing? What are the major trends? What are firms struggling with and what are they working on as the year progresses?

CONSENSUS HIGHLIGHTS

1. The shortage of people and the challenges of retaining, developing and mentoring staff are arguably the #1 issue keeping firms and their MPs up at night.
2. The merger frenzy continues. Because the market is glutted with sellers, firms are getting more strategic in selecting merger partners and, though still interested in retirement-triggered mergers, buyers are increasingly spurning aging sellers who have marginal staff, at best.
3. Succession planning remains a pressing issue for most firms, as it has for the past decade and will continue for at least another ten years. Sure, external issues such as the aging of Baby Boomers and shortage of talent are fueling succession planning challenges. But a major contributor to the problem is firms continuing to focus on client production at the expense of developing talent, making the succession planning conundrum virtually insolvable for 80% of all firms under \$10M.
4. We're hearing from more and more firms that the traditional model of running a CPA firm is outdated. Obsolete practices include partners being too billable, firms failing to truly treat staff as important as clients, not enough embracing of technology, especially the Cloud, too many hours and not enough profits and not enough flexibility in where and when staff work.
5. Perhaps the biggest casualty of firms' outdated operational model is staff turnover, which quite a few of our consultants feel is on the rise (this is written before the numbers are out).
6. There is an increasing focus on consulting and wealth management, revving up the "most trusted advisor" dialog from the late 1990s.
7. Organic growth is chugging along, some firms doing better than others. But a larger than usual component to today's the growth is from consulting vs. A&A and tax.
8. There is an epidemic of partners reaching their mid-60s and not wanting to retire because they are healthy, energetic and still out-performing younger partners. A mini-rebellion

DETAILED ANALYSIS

Demographics of Survey Participants

There were 372 firms that participated in this year's survey:

- 33 firms with annual net fees in excess of \$20 million.
- 65 firms with annual net fees of \$10–20 million.
- 225 firms with annual net fees of \$2–10 million.
- 24 firms with annual net fees under \$2 million.
- 25 firms were sole proprietors.

Exactly 81% of the firms in our 2016 survey also participated in 2015.

In terms of size of market (metropolitan population of the county in which the firm resides, plus all collar counties):

- 187 firms were from very large cities with population in excess of two million such as Chicago, New York, Atlanta, etc.
- 66 firms were from other large cities with populations between one and two million.
- 76 firms were from markets ranging in population between 250,000 and one million.
- 43 firms were from markets of under 250,000.

In terms of geographic dispersion:

- 116 firms were from Midwestern states (Great Lakes, Dakotas down to Kansas).
- 81 firms were from Northeastern states (New England down to Pennsylvania).
- 113 firms were from Southern states (Kentucky, Delaware and Maryland down to Florida, as far west as Oklahoma and Texas).
- 62 firms were from Western states (Colorado, New Mexico, Wyoming, Montana and all states west).

2016 ROSENBERG MAP SURVEY PERCENTILE ANALYSIS FOR MULTI-PARTNER FIRMS ONLY

This schedule shows the breakdown of several key statistics, by percentile, from high to low. There were 347 multi-partner firms in our survey, so for each statistic, there can be a maximum of 347 entries. The 10th percentile for a statistic is the average of the Upper 10% of firms in that category. For example, let's look at Partner Billable Hours. The 10th percentile for Partner Billable Hours shows an average of 1,622. That means that the upper 10% of all firms in the category of Partner Billable Hours - roughly 35 firms - averaged 1,622. If your firm had average partner billable hours of 1,125, that would place you between the 5th and 6th percentiles. That means that 50 - 60% of all firms in our survey had a higher level of partner billable hours than your firm.

PERCENTILE	GROUPING	REALIZ %	RATIO PROSTAFF & PARAS TO PTR	UTILIZ PERCENT	PARTNER BILLABLE HOURS	PROSTAFF BILLABLE HOURS	INCOME PER EQUITY PARTNER	EQUITY PARTNER BILLING RATE	NET FIRM BILLING RATE	NET FEES PER EQUITY PARTNER	NET FEES PER PERSON
10th	Upper 10%	100.5%	13.3	67.0%	1,622	1,797	806,060	435	221.85	2,823,722	319,350
9th	Next 10%	97.4%	7.4	60.0%	1,371	1,650	555,244	376	178.72	1,821,805	257,406
8th	Next 10%	92.8%	6.1	57.0%	1,272	1,598	461,881	343	164.70	1,539,405	235,527
7th	Next 10%	89.6%	5.3	54.9%	1,201	1,543	411,820	321	153.74	1,379,343	220,174
6th	Next 10%	87.6%	4.6	53.3%	1,142	1,504	368,969	303	143.82	1,196,220	207,780
5th	Next 10%	86.0%	4.1	51.7%	1,081	1,464	328,851	284	135.08	1,031,625	196,491
4th	Next 10%	83.7%	3.6	50.2%	1,012	1,423	292,778	269	127.56	926,543	186,925
3rd	Next 10%	80.5%	3.0	48.1%	934	1,380	255,669	253	118.62	807,187	176,478
2nd	Next 10%	76.2%	2.4	45.8%	852	1,306	220,813	233	109.59	679,316	161,603
1st	Lowest 10%	67.4%	1.6	40.3%	662	1,159	158,698	197	95.72	506,736	142,865

Note: All statistics above represent the average for the percentile.

	B	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U
1																
2																
3																
4							HEADCOUNT						RATIO			
5				GROSS	NET			NON-					PROSTAFF	PERCENT		
6	Firm #	REGION	Pop	FEES	FEES	REALIZ %	EQUITY	EQUITY	PRO	PARA			& PARAS	ADM TO	TRNOVR	TRNOVR
7			(000)	(000)	(000)		PARTNERS	PARTNERS	STAFF	PROS	ADMIN	TOTAL	TO PTR	TOTAL	STAFF	ADMIN
8	1	NE	>2M	141,630	89,303	63.1%	70.8	0.0	428.5	4.4	95.0	598.7	6.1	15.9%	13.5%	8.6%
9	2	S	>2M	94,076	84,377	89.7%	33.0	22.0	352.0	0.0	43.9	450.9	11.3	9.7%	13.3%	21.4%
10	3	NE	250-1M	67,613	57,864	85.6%	38.0	0.0	205.6	9.8	62.3	315.7	5.7	19.7%	24.5%	21.1%
11	4	W	>2M	65,583	54,438	83.0%	27.0	8.5	207.0	0.0	45.0	287.5	8.0	15.7%	33.4%	27.0%
12	5	W	>2M	55,450	49,425	89.1%	31.0	15.0	119.0	7.0	43.0	215.0	4.5	20.0%	31.1%	37.4%
13	6	S	>2M	73,340	49,394	67.3%	22.6	0.0	247.7	11.0	19.7	301.0	11.4	6.5%	21.5%	15.9%
14	7	S	>2M	56,565	46,522	82.2%	13.0	12.0	127.0	5.0	42.0	199.0	11.1	21.1%	19.5%	9.6%
15	8	S	1-2M	50,217	43,289	86.2%	22.2	17.3	176.3	14.4	44.7	274.9	9.4	16.3%	22.1%	13.5%
16	9	S	>2M	43,486	41,352	95.1%	25.0	9.0	168.5	4.0	31.5	238.0	7.3	13.2%	18.2%	3.5%
17	10	NE	1-2M	44,132	38,044	86.2%	18.0	18.1	158.3	0.0	37.1	231.5	9.8	16.0%	25.1%	15.1%
18	11	NE	>2M	52,206	37,418	71.7%	24.0	0.0	115.0	1.0	17.0	157.0	4.8	10.8%	14.2%	5.7%
19	12	W	>2M	39,757	34,204	86.0%	19.0	0.0	130.0	0.0	28.0	177.0	6.8	15.8%	18.2%	7.1%
20	13	S	250-1M	42,990	32,950	76.6%	13.8	14.6	139.7	0.5	35.3	203.9	11.2	17.3%	10.8%	11.7%
21	14	NE	>2M	36,818	30,708	83.4%	16.0	11.0	92.0	1.0	27.0	147.0	6.5	18.4%	27.9%	11.1%
22	15	S	>2M	33,668	30,573	90.8%	17.0	1.0	121.0	1.0	24.0	164.0	7.2	14.6%	25.8%	17.0%
23	16	MW	1-2M	32,670	26,828	82.1%	12.0	5.0	86.0	0.0	26.9	129.9	7.6	20.7%	30.5%	3.9%
24	17	MW	>2M	30,817	26,312	85.4%	14.0	8.0	69.0	10.0	23.0	124.0	6.2	18.5%	14.9%	13.0%
25	18	S	250-1M	28,914	25,415	87.9%	19.0	20.0	88.0	8.0	29.0	164.0	6.1	17.7%	18.6%	29.1%
26	19	W	>2M	29,380	24,812	84.5%	14.0	2.0	78.0	5.6	29.0	128.6	6.1	22.6%	26.2%	3.6%
27	20	NE	>2M	36,362	24,551	67.5%	17.0	0.0	119.6	2.2	22.0	160.8	7.2	13.7%	22.1%	18.4%
28	21	W	>2M	27,975	24,204	86.5%	11.0	1.0	83.0	1.0	30.0	126.0	7.7	23.8%	13.4%	10.2%
29	22	W	>2M	28,962	24,179	83.5%	13.0	2.0	75.9	0.0	23.1	114.0	6.0	20.3%	20.9%	12.3%
30	23	NE	>2M	25,973	24,105	92.8%	8.0	6.0	31.7	0.0	16.5	62.2	4.7	26.5%	6.8%	0.0%
31	24	W	1-2M	26,058	23,695	90.9%	24.0	0.0	81.6	8.7	23.6	137.9	3.8	17.1%	8.7%	20.8%
32	25	S	>2M	28,615	23,526	82.2%	14.7	0.0	96.8	0.0	21.0	132.5	6.6	15.8%	18.1%	15.8%
33	26	S	>2M	23,898	23,070	96.5%	12.0	8.0	83.8	0.0	28.0	131.8	7.7	21.2%	18.9%	7.0%
34	27	W	>2M	23,744	22,431	94.5%	15.0	2.0	56.0	1.0	13.0	87.0	3.9	14.9%	19.5%	27.6%
35	28	MW	>2M	24,185	20,954	86.6%	12.0	9.6	64.1	0.0	19.1	104.8	6.1	18.2%	30.0%	10.3%
36	29	MW	>2M	21,445	20,872	97.3%	12.5	1.0	56.3	1.3	25.6	96.7	4.7	26.5%	18.1%	16.1%
37	30	NE	>2M	29,774	20,643	69.3%	14.0	3.8	68.5	0.0	18.4	104.7	5.2	17.6%	16.6%	10.8%
38	31	W	>2M	22,636	20,448	90.3%	5.0	1.0	61.0	3.0	27.0	97.0	13.0	27.8%	30.3%	8.9%
39	32	S	<250	22,259	20,361	91.5%	21.0	0.0	63.1	7.2	18.8	110.1	3.3	17.1%	20.2%	5.2%
40	33	NE	1-2M	24,810	20,141	81.2%	11.5	6.3	77.3	4.2	19.4	118.7	7.6	16.3%	23.1%	11.6%
41																
42	AVG 2015			42,000	34,437	84.4%	19.4	6.2	125.1	3.4	30.6	184.6	7.1	17.8%	20.5%	13.6%
43																
44	AVG 2014			43,820	35,768	84.4%	21.4	7.2	127.2	4.5	31.9	192.2	6.6	17.7%	17.7%	14.9%
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