

**NORTH CAROLINA ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS, INC.**

FINANCIAL STATEMENTS

FOR THE YEARS ENDED APRIL 30, 2016 AND 2015



CONTENTS

APRIL 30, 2016 AND 2015

	PAGES
INDEPENDENT AUDITORS' REPORT	2 - 3
FINANCIAL STATEMENTS:	
STATEMENTS OF FINANCIAL POSITION	4
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS	5
STATEMENTS OF FUNCTIONAL EXPENSES	6 - 7
STATEMENTS OF CASH FLOWS	8
NOTES TO FINANCIAL STATEMENTS	9 - 19



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
North Carolina Association of Certified Public Accountants, Inc.

We have audited the accompanying financial statements of North Carolina Association of Certified Public Accountants, Inc. (a nonprofit organization), which comprise the statements of financial position as of April 30, 2016 and 2015, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

CERTIFIED PUBLIC ACCOUNTANTS

4909 Windy Hill Drive . Raleigh, North Carolina 27609
Tel 919-872-1260 Fax 919-872-6182 www.stancilcpa.com

INDEPENDENT AUDITORS' REPORT**CONTINUED****Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of North Carolina Association of Certified Public Accountants, Inc. as of April 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Stancil + Company

Raleigh, North Carolina
September 8, 2016

NORTH CAROLINA ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS, INC.

Statements of Financial Position

April 30,	2016	2015
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 1,030,594	\$ 1,526,081
Accounts Receivable	37,826	105,108
Investments	3,701,542	3,714,294
Prepaid Expenses	172,452	112,570
Restricted Investments - Current	265,134	-
Total Current Assets	5,207,548	5,458,053
Property and Equipment:		
Building and Improvements	2,200,389	2,141,543
Computers and Office Equipment	1,081,281	1,024,075
Furniture and Fixtures	356,985	356,328
Land	249,563	249,563
Vehicles	56,081	56,081
	3,944,299	3,827,590
Less Accumulated Depreciation	(2,402,855)	(2,106,533)
	1,541,444	1,721,057
Construction in Progress	105,476	8,560
Total Property and Equipment	1,646,920	1,729,617
Other Assets:		
Restricted Investments - Noncurrent	117,924	316,889
Total Other Assets	117,924	316,889
Total Assets	\$ 6,972,392	\$ 7,504,559
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts Payable	\$ 178,395	\$ 289,546
Deferred Revenue	785,238	1,036,923
Deferred Compensation Liability - Current Portion	265,134	237,275
Accrued Other Liabilities	77,678	67,718
Accrued Salary and Payroll Tax Liabilities	138,416	73,249
Accrued Vacation	79,234	94,492
Accrued Retirement	54,194	53,772
Total Current Liabilities	1,578,289	1,852,975
Deferred Compensation Liability - Noncurrent Portion	160,729	119,029
Total Liabilities	1,739,018	1,972,004
Unrestricted Net Assets	5,233,374	5,532,555
Total Liabilities and Net Assets	\$ 6,972,392	\$ 7,504,559

See Independent Auditors' Report and Accompanying Notes to Financial Statements

NORTH CAROLINA ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS, INC.

Statements of Activities and Changes in Net Assets

For the Years Ended April 30,	2016	2015
Revenues and Other Support:		
Professional Education	\$ 5,585,860	\$ 5,793,242
Membership Dues	2,042,121	2,069,843
Peer Review Administration Fees	182,835	192,690
Advertising, Sponsorships, and Other Income	153,715	130,634
Member Engagement	64,855	54,680
Chapter Meetings	52,659	64,821
Investment Return	6,753	142,678
Total Revenues and Other Support	8,088,798	8,448,588
Expenses:		
Program Services:		
Professional Education	4,528,093	4,553,950
Communications and Member Services	1,246,491	1,063,400
Chapter Relations	253,861	221,034
Peer Review	227,277	253,405
Government Relations	98,163	104,323
Total Program Services	6,353,885	6,196,112
Support Services:		
Management	2,034,094	1,819,276
Total Expenses	8,387,979	8,015,388
Change in Net Assets	(299,181)	433,200
Net Assets at Beginning of Year	5,532,555	5,099,355
Net Assets at End of Year	\$ 5,233,374	\$ 5,532,555

See Independent Auditors' Report and Accompanying Notes to Financial Statements

NORTH CAROLINA ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS, INC.

Statement of Functional Expenses

For the Year Ended April 30, 2016

	Program Services				Support Services			
	Professional Education	Communications and Member Services	Chapter Relations	Peer Review	Government Relations	Total	Management	Total
Materials, Speakers, and Site Expenses	\$ 3,255,191	\$ -	\$ 91,784	\$ -	\$ -	\$ 3,346,975	\$ -	\$ 3,346,975
Personnel Expenses	614,218	549,792	88,695	46,225	75,694	1,374,624	1,514,450	2,889,074
Printing and Postage	140,719	127,486	1,199	1,829	58	271,291	5,721	277,012
Depreciation	94,481	71,675	13,032	9,774	3,258	192,220	133,576	325,796
Bank and Merchant Fees	138,499	46,166	-	-	-	184,665	-	184,665
Peer Review Expenses	-	-	-	144,109	-	144,109	-	144,109
Building Expenses	34,272	25,999	4,727	2,954	1,182	69,134	49,043	118,177
Technology Support	73,624	81,166	8,103	5,064	-	167,957	87,498	255,455
Staff Travel	46,687	37,557	5,355	500	-	90,099	58,693	148,792
Professional Services	16,582	12,579	2,287	1,429	572	33,449	23,728	57,177
Scholarships and Contributions	-	50,993	14,375	-	-	65,368	-	65,368
Leadership Retreat	17,986	14,575	2,481	1,551	-	36,593	25,429	62,022
Committee Expenses	5,216	27,008	-	7,486	700	40,410	-	40,410
Office Equipment Rental and Repairs	13,949	10,582	1,924	1,202	481	28,138	19,961	48,099
Board and Officer Expenses	31,362	23,792	8,928	2,704	1,081	67,867	44,906	112,773
New CPA Inauguration	-	49,935	-	-	-	49,935	-	49,935
Member Engagement	-	10,700	-	-	-	10,700	-	10,700
Student Leadership Institute	-	28,663	-	-	-	28,663	-	28,663
Office Supplies and Expenses	8,899	15,208	8,370	325	114	32,916	11,534	44,450
Telecommunications	12,004	8,952	1,628	1,017	407	24,008	16,683	40,691
Staff Training	13,176	20,155	-	500	-	33,831	26,003	59,834
Business Insurance	6,126	4,648	845	528	211	12,358	8,766	21,124
Unrelated Business Income and Proxy Tax	-	-	-	-	-	-	-	-
Image Enhancement	-	-	-	-	14,372	14,372	-	14,372
Dues and Subscriptions	4,999	2,295	114	71	-	22,881	-	22,881
Gain/loss on Disposal of Equipment	103	78	14	9	29	7,508	7,955	15,463
Student Recruitment	-	3,606	-	-	4	208	148	356
	\$ 4,528,093	\$ 1,246,491	\$ 253,861	\$ 227,277	\$ 98,163	\$ 6,353,885	\$ 2,034,094	\$ 8,387,979

NORTH CAROLINA ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS, INC.

Statement of Functional Expenses

For the Year Ended April 30, 2015

	Program Services				Support Services			
	Professional Education	Communications and Member Services	Chapter Relations	Peer Review	Government Relations	Total	Management	Total
Materials, Speakers, and Site Expenses	\$ 3,431,392	\$ -	\$ 70,028	\$ -	\$ -	\$ 3,501,420	\$ -	\$ 3,501,420
Personnel Expenses	558,115	504,962	79,731	53,154	79,731	1,275,693	1,382,000	2,657,693
Printing and Postage	95,291	103,761	2,118	2,118	-	203,288	8,470	211,758
Depreciation	95,184	72,209	13,129	9,847	3,282	193,651	134,571	328,222
Bank and Merchant Fees	139,745	46,582	-	-	-	186,327	-	186,327
Peer Review Expenses	-	-	-	167,956	-	167,956	-	167,956
Building Expenses	30,933	23,466	4,267	3,200	1,067	62,933	43,733	106,666
Technology Support	49,304	71,902	6,163	4,109	2,054	133,532	71,902	205,434
Staff Travel	38,383	24,127	3,290	1,097	-	66,897	42,770	109,667
Professional Services	19,594	14,871	4,696	1,683	676	41,520	26,047	67,567
Scholarships and Contributions	-	44,483	17,299	-	-	61,782	-	61,782
Leadership Retreat	4,653	3,530	642	481	160	9,466	6,578	16,044
Committee Expenses	3,558	17,241	1,095	4,926	547	27,367	-	27,367
Office Equipment Rental and Repairs	9,673	7,338	1,334	667	334	19,346	14,009	33,355
Board and Officer Expenses	18,183	13,469	7,408	1,347	673	41,080	26,265	67,345
New CPA Inauguration	-	26,552	-	-	-	26,552	-	26,552
Member Engagement	-	3,873	-	-	-	3,873	-	3,873
Student Leadership Institute	-	24,781	-	-	-	24,781	-	24,781
Office Supplies and Expenses	27,976	6,300	6,994	636	-	41,906	17,803	59,709
Telecommunications	11,862	8,999	1,636	1,227	409	24,133	16,771	40,904
Staff Training	9,782	10,699	-	306	-	20,787	9,782	30,569
Business Insurance	4,570	3,467	630	313	158	9,138	6,619	15,757
Unrelated Business Income and Proxy Tax	-	-	-	-	14,995	14,995	-	14,995
Image Enhancement	-	22,658	-	-	-	22,658	-	22,658
Dues and Subscriptions	4,294	3,733	373	187	187	8,774	9,895	18,669
Gain/loss on Disposal of Equipment	1,458	1,106	201	151	50	2,966	2,061	5,027
Student Recruitment	-	3,291	-	-	-	3,291	-	3,291
	\$ 4,553,950	\$ 1,063,400	\$ 221,034	\$ 253,405	\$ 104,323	\$ 6,196,112	\$ 1,819,276	\$ 8,015,388

NORTH CAROLINA ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS, INC.

Statements of Cash Flows

For the Years Ended April 30,	2016	2015
Cash Flows from Operating Activities:		
Changes in Net Assets	\$ (299,181)	\$ 433,200
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Depreciation	325,796	328,221
Realized Gain on Investments	(916)	(1,794)
Unrealized (Gain) Loss on Investments	38,087	(101,368)
Loss on Disposal of Fixed Assets	354	5,027
(Increase) Decrease in:		
Accounts Receivable	67,282	(62,420)
Prepaid Expenses	(59,882)	38,124
Restricted Investments	(66,169)	(79,763)
Increase (Decrease) in:		
Accounts Payable	(111,151)	95,264
Deferred Revenue	(251,685)	(77,358)
Accrued Retirement	422	(12,359)
Accrued Salary	65,167	10,594
Accrued Vacation	(15,258)	6,767
Accrued Other Liabilities	9,960	(28,084)
Deferred Compensation Liability	69,559	81,666
Net Cash Provided by (Used in) Operating Activities	(227,615)	635,717
Cash Flows from Investing Activities:		
Proceeds from the Sale of Investments	-	-
Purchases of Investments	(24,419)	(22,560)
Purchases of Property, Plant and Equipment	(243,453)	(264,768)
Net Cash Used in Investing Activities	(267,872)	(287,328)
Increase (Decrease) in Cash and Cash Equivalents	(495,487)	348,389
Cash and Cash Equivalents at Beginning of Year	1,526,081	1,177,692
Cash and Cash Equivalents at End of Year	\$ 1,030,594	\$ 1,526,081
Supplemental Disclosures:		
Cash Paid for Unrelated Business Income and Proxy Tax	\$ 14,962	\$ 15,555
Purchases of Property, Plant and Equipment in Accounts Payable	\$ -	\$ -

See Independent Auditors' Report and Accompanying Notes to Financial Statements

NORTH CAROLINA ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS, INC.**Notes to Financial Statements****April 30, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**Nature of Operations**

The North Carolina Association of Certified Public Accountants, Inc. (Association), chartered in the State of North Carolina in 1919, is the statewide professional organization for Certified Public Accountants. The Association is headquartered in Morrisville and includes eleven local chapters throughout the state.

The Association is organized to promote the advancement of the certified public accounting profession by serving its members, encouraging high professional and ethical standards, advancing accounting research, providing accounting education, and furthering the interest of the profession. Its mission is to promote the competence, integrity, civic responsibility, and success of North Carolina Certified Public Accountants. Its primary sources of revenue are derived from professional education classes and member dues.

Basis of Accounting

The accounting records and financial statements are prepared on the accrual basis of accounting.

Basis of Presentation

The Association follows Financial Accounting Standards Board (FASB) ASC 958-205, *Not for Profit Entities – Revenue Recognition*, and FASB ASC 958-605, *Not for Profit Entities – Presentation of Financial Statements*. Under FASB ASC 958-205, the Association is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Association did not have any temporarily restricted net assets or permanently restricted net assets as of April 30, 2016 and 2015.

Contributions

In accordance with FASB ASC 958-605, contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and nature of any donor restrictions.

Cash and Cash Equivalents

For purposes of reporting the statements of cash flows, the Association considers all highly liquid investments, except those classified as deferred compensation investments, purchased with original maturities of three months or less to be cash equivalents.

See Independent Auditors' Report

NORTH CAROLINA ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS, INC.

Notes to Financial Statements

April 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Receivables

The Association records accounts receivables at total unpaid balances for peer review fees and onsite continuing professional education courses, which approximates estimated fair value as of April 30, 2016. At year end, the Association determined that all receivables were collectible.

The following is a summary of accounts receivable as of April 30:

	2016	2015
Trade	\$ 31,216	\$ 103,426
Royalty and Other Receivables	6,541	1,253
Related Party Receivables	69	429
	<u>\$ 37,826</u>	<u>\$ 105,108</u>

Investments

Financial statement presentation for investments follows professional standards governing investments held by not-for-profit organizations. Under these standards, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statements of financial position.

Unrealized gains and losses on investments due to changes in market value are included in the changes in net assets.

Realized gains and losses, if any, are determined using the specific identification method.

Property and Equipment and Construction in Progress

Property and equipment are stated at cost and depreciated using the straight-line method over the estimated useful lives of the assets. Asset lives range from 5 to 31.5 years for building and improvements, and 3 to 7 years for computers, office equipment, furniture and fixtures, and vehicles. The Association's capitalization threshold is \$500.

Upon sale or retirement of property and equipment, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is recognized.

See Independent Auditors' Report

Notes to Financial Statements**April 30, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**Property and Equipment and Construction in Progress (Continued)**

The majority of the construction in progress relates to website and user interface upgrades. There is an outstanding commitment of approximately \$58,000 due to the vendor after year end upon successful completion of respective phases of the project.

Deferred Revenue

Membership dues received are recorded as deferred revenue and recognized as income in the period earned. Registration fees for continuing professional education courses and other events are recorded as deferred revenue and recognized as income when the course or event is held.

Income Taxes

The Association is a not-for-profit organization and is exempt from income taxes under Section 501(c)(6) of the Internal Revenue Code. However, certain activities not directly related to the Association's tax-exempt purpose are subject to taxation. The Association's primary activities subject to taxation include member affinity programs, advertising, commissions, and lobbying efforts.

The Association is not currently under examination by the Internal Revenue Service or the State of North Carolina. The Association's taxable years that are open for potential examination by the Internal Revenue Service are for the years ended April 30, 2013 through 2016. The Association's open tax years for potential examination by the State of North Carolina are for the years ended April 30, 2013 through 2016.

Functional Allocation of Expenses

The costs of providing the various programs and the administration of the Association have been summarized on a functional basis in the statements of functional expenses. Certain costs have been allocated on the basis of time records and estimates made by Association management.

Program Services**Professional Education**

The Association provides educational programs designed to maintain and improve the skills of CPAs. Professional education is also a requirement for CPA certification renewal.

See Independent Auditors' Report

NORTH CAROLINA ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS, INC.**Notes to Financial Statements****April 30, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**Program Services (Continued)***Communication and Member Services*

The Association disseminates information to its members as it relates to changes in the accounting profession and also seeks to educate the general public about the nature and diversity of business services that are provided by members. The Association also offers various business benefits to its members.

Chapter Relations

The Association provides guidance to its chapters through meeting and event planning to enhance networking, communication, and community involvement within the profession at the local level.

Peer Review

The Association administers the peer review program for the American Institute of Certified Public Accountants (AICPA) and the North Carolina State Board of Certified Public Accountant Examiners for firms required to have peer reviews for licensing requirements in North Carolina. The peer review program ensures that enrolled firms conduct their practice in accordance with the AICPA *Code of Professional Conduct* and that each firm has in place quality control procedures to ensure that all accounting and auditing services are competently delivered.

Government Relations

The Association interacts with executive staff in North Carolina state government agencies, federal agencies, and U.S. Congress on behalf of the membership and the accounting profession. The Association monitors, and, in some cases, attempts to influence legislation that impacts its members as well as their employers and clients.

Donated Services

Association and chapter members donate significant time by serving on various committees and boards. No amounts have been reflected in the financial statements for volunteered time since the services performed do not meet the requirements for recognition in the financial statements.

See Independent Auditors' Report

NORTH CAROLINA ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS, INC.**Notes to Financial Statements****April 30, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**Reclassifications**

Certain amounts in the 2015 financial statements have been reclassified to conform to the 2016 presentation.

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. CONCENTRATIONS OF CREDIT RISK:

The Association places its cash and cash equivalents with financial institutions in the United States. Effective January 1, 2013, the Federal Deposit Insurance Corporation (FDIC) covers up to \$250,000 for substantially all depository accounts. The Association exceeded these limits by \$687,952 and \$1,186,137 as of April 30, 2016 and 2015, respectively.

The Association also maintains separate investment accounts that are protected by the Securities Investor Protection Corporation (SIPC). The SIPC is a nonprofit membership corporation funded by its member securities broker-dealers. The SIPC insures against the loss or theft of securities as well as the failure or insolvency of a brokerage firm. The insurance does not apply to losses related to market risk or investment fraud. At April 30, 2016 and 2015, the limits of protection extended up to \$500,000 for securities, including \$250,000 for cash and cash equivalents. The Association exceeded the insured limits by \$2,322,694 and \$2,340,710 as of April 30, 2016 and 2015, respectively.

The Association also maintains separate cash equivalents and investments that are not protected by SIPC or FDIC. For these funds, there is no insurance against the loss or theft of securities as well as the failure or insolvency of a brokerage firm. As of April 30, 2016 and April 30, 2015, these uninsured funds totaled \$924,554 and \$903,700, respectively.

See Independent Auditors' Report

NORTH CAROLINA ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS, INC.

Notes to Financial Statements

April 30, 2016

3. INVESTMENTS:

Investments at April 30, 2016 consist of the following:

	<u>Historical Cost</u>	<u>Fair Value</u>
Bond Funds	\$ 2,503,934	\$ 2,493,165
Equity Funds	866,500	1,208,377
Mutual Funds - Restricted Investments	271,422	383,058
	<u>\$ 3,641,856</u>	<u>\$ 4,084,600</u>

Investments at April 30, 2015 consist of the following:

	<u>Historical Cost</u>	<u>Fair Value</u>
Bond Funds	\$ 2,503,934	\$ 2,489,982
Equity Funds	838,920	1,224,312
Mutual Funds - Restricted Investments	271,422	316,889
	<u>\$ 3,614,276</u>	<u>\$ 4,031,183</u>

The following summarizes the investment return for the fiscal years ended April 30, 2016 and 2015, respectively:

	<u>2016</u>	<u>2015</u>
Unrealized Gain on Investments	\$ (38,087)	\$ 101,368
Interest and Dividends	43,924	39,516
Realized Gain on Investments	916	1,794
	<u>\$ 6,753</u>	<u>\$ 142,678</u>

See Independent Auditors' Report

Notes to Financial Statements

April 30, 2016

4. FAIR MARKET VALUE MEASUREMENTS:

The Association applies Generally Accepted Accounting Principles (GAAP) for fair value measurements of financial assets that are recognized or disclosed at fair value in the financial statements on a recurring basis. The Association does not apply the fair market value measurement criteria to certificates of deposit. GAAP defines fair value as 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. GAAP also establishes a framework for measuring fair value and expands disclosures about fair value measurements.

Professional standards establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level One Inputs) and the lowest priority to measurements involving significant unobservable inputs (Level Three Inputs). The three levels of the fair value hierarchy are as follows:

- Level One Inputs – are unadjusted quoted prices in active markets for identical assets or liabilities that the Association has the ability to access at the measurement date.
- Level Two Inputs – include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly.
- Level Three Inputs – are unobservable and significant to the overall fair value for the asset or liability.

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

NORTH CAROLINA ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS, INC.

Notes to Financial Statements

April 30, 2016**4. FAIR MARKET VALUE MEASUREMENTS: (Continued)**

The following table presents assets that are measured at fair value on a recurring basis at April 30, 2016:

	Fair Value Measurements at Reporting Date Using:		
	Quoted Prices in Active Markets for Identical Assets (Level One Inputs)	Significant Other Observable Inputs (Level Two Inputs)	Significant Unobservable Inputs (Level Three Inputs)
Bond Funds	\$ 2,493,165	\$ -	\$ -
Equity Funds	1,208,377	-	-
Mutual Funds - Restricted Investments	383,058	-	-
Total	<u>\$ 4,084,600</u>	<u>\$ -</u>	<u>\$ -</u>

The following table presents assets that are measured at fair value on a recurring basis at April 30, 2015:

	Fair Value Measurements at Reporting Date Using:		
	Quoted Prices in Active Markets for Identical Assets (Level One Inputs)	Significant Other Observable Inputs (Level Two Inputs)	Significant Unobservable Inputs (Level Three Inputs)
Bond Funds	\$ 2,489,982	\$ -	\$ -
Equity Funds	1,224,312	-	-
Mutual Funds - Restricted Investments	316,889	-	-
Total	<u>\$ 4,031,183</u>	<u>\$ -</u>	<u>\$ -</u>

See Independent Auditors' Report

Notes to Financial Statements**April 30, 2016**

5. FAIR VALUE OF FINANCIAL INSTRUMENTS:

Professional standards require disclosure about the fair value for all financial instruments, whether or not recognized, for financial statement purposes. Disclosures about fair value of financial instruments are based on pertinent information available to management as of April 30, 2016 and 2015. Accordingly, the estimates presented in these financial statements are not necessarily indicative of the amounts that could be realized on disposition of the financial instruments. Management has estimated that the fair values of cash, accounts receivable, accounts payable, accrued expenses and short-term borrowings to be approximately their respective carrying values reported in these financial statements because of their short maturities.

6. DEFERRED COMPENSATION PLANS:

The Association provides deferred compensation plans (defined contribution) for the benefit of the current Chief Executive Officer (CEO) and Chief Operating Officer (COO) and has established individual brokerage firm trust accounts to manage the funds contributed to each plan. The individual brokerage firm trust accounts record the current value of required contributions, including earnings, credited thereto.

The Association makes annual contributions to the CEO's deferred compensation plan equal to 10% of the CEO's annual gross salary. The deferred compensation account became fully vested as of April 30, 2016. A lump sum payment was made after year end to relieve this liability.

Effective May 1, 2012, a deferred compensation plan was established for the Association's COO. The Association makes annual contributions to the plan equal to 15% of the COO's annual gross salary. The deferred compensation account will become fully vested on the earliest of the following dates: May 1, 2017; the date the COO becomes disabled; or the date of the COO's death; or if the COO is involuntarily terminated for a reason other than good cause by the Association before any of the above dates. A lump sum payment will be made within thirty (30) days after the vesting date.

The value of the restricted investments held in the brokerage accounts for the deferred compensation plans totaled \$383,058 and \$316,889 as of April 30, 2016 and 2015, respectively. The corresponding liabilities totaled \$425,863 and \$356,304 as of April 30, 2016 and 2015, respectively. The difference between the asset and liability accounts of \$42,805 and \$39,415 reflect deposits made to the brokerage accounts subsequent to year end in May 2016 and 2015, respectively.

NORTH CAROLINA ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS, INC.

Notes to Financial Statements

April 30, 2016

7. RETIREMENT PLANS:

The Association has a flexible 401(k) profit sharing plan. The Plan covers substantially all employees meeting age and service requirements. The Association contributes five percent of annual compensation for all eligible employees in the money purchase pension plan. As part of the 401(k) Plan, the Association also will match 100 percent of the first two percent of employee contributions, with an additional three percent safe harbor contribution. Retirement contributions totaled \$162,988 and \$153,310 for the years ended April 30, 2016 and 2015, respectively.

8. LEASE COMMITMENTS:

The Association has two operating lease agreements for copiers and a digital mailing system. The operating lease agreements will expire April 2019 and August 2017, respectively. Future minimum lease payments due under these operating lease agreements are summarized as follows:

Due April 30,	2017	\$ 16,044
	2018	9,324
	2019	5,964
		<u>\$ 31,332</u>

Total rental expense for the years ended April 30, 2016 and 2015 was \$18,662 and \$20,933, respectively.

9. RELATED PARTY TRANSACTIONS:

The North Carolina CPA Foundation, Inc. (Foundation), which is managed by the Association, provides educational scholarships and awards to students and educators. The Association acts as an agent on behalf of the Foundation in the collection of contributions and in the payment of certain operating expenses, which are subsequently reimbursed. The approximate cost of the unreimbursed Association employees' time spent on Foundation activities totaled \$27,234 and \$24,500 for the fiscal years ending April 30, 2016 and 2015, respectively.

The Association made contributions to the Foundation totaling \$57,768 and \$57,042 during the years ending April 30, 2016 and 2015, respectively. At April 30, 2016 and 2015, the net amount owed by the Association to the Foundation totaled \$7,845 and \$56,871, respectively.

See Independent Auditors' Report

NORTH CAROLINA ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS, INC.**Notes to Financial Statements****April 30, 2016**

10. EVENTS OCCURRING AFTER REPORTING DATE:

The Association has evaluated events and transactions that occurred between April 30, 2016 and September 8, 2016, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

See Independent Auditors' Report