

North Carolina CPA Foundation, Inc.

**Financial Statements
and Independent Auditor's Report**

April 30, 2017 and 2016

North Carolina CPA Foundation, Inc.

Index

	<u>Page</u>
Independent Auditor's Report	2
Financial Statements	
Statements of Financial Position	4
Statements of Activities and Changes in Net Assets	5
Statements of Cash Flows	7
Notes to Financial Statements	8

Independent Auditor's Report

To the Board of Directors
North Carolina CPA Foundation, Inc.

We have audited the accompanying financial statements of North Carolina CPA Foundation, Inc., which comprise the statement of financial position as of April 30, 2017, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year 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 controls relevant to the preparation and fair presentation of consolidated 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 audit. We conducted our audit 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.

Opinion

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position of North Carolina CPA Foundation, Inc. as of April 30, 2017, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

The financial statements of North Carolina CPA Foundation, Inc. as of April 30, 2016 were audited by other auditors whose report dated January 11, 2017, expressed an unmodified opinion on those statements.

CohnReznick LLP

Charlotte, North Carolina
February 23, 2018

North Carolina CPA Foundation, Inc.

**Statements of Financial Position
April 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 70,704	\$ 91,961
Accounts receivables	12,005	7,908
Investments	<u>276,757</u>	<u>260,087</u>
Total current assets	<u>359,466</u>	<u>359,956</u>
Other long-term assets		
Investments - noncurrent	<u>221,357</u>	<u>179,000</u>
Total other long-term assets	<u>221,357</u>	<u>179,000</u>
Total assets	<u><u>\$ 580,823</u></u>	<u><u>\$ 538,956</u></u>
Liabilities		
Current liabilities		
Accounts payable	\$ 3,000	\$ 6,800
Accounts payable - related party	<u>1,153</u>	<u>63</u>
Total current liabilities	<u>4,153</u>	<u>6,863</u>
Total liabilities	<u>4,153</u>	<u>6,863</u>
Net assets		
Unrestricted	287,827	259,707
Temporarily restricted	<u>288,843</u>	<u>272,386</u>
Total net assets	<u>576,670</u>	<u>532,093</u>
Total liabilities and net assets	<u><u>\$ 580,823</u></u>	<u><u>\$ 538,956</u></u>

See Notes to Financial Statements.

North Carolina CPA Foundation, Inc.

**Statement of Activities and Changes in Net Assets
Year Ended April 30, 2017**

	Unrestricted	Temporarily restricted	Total
Support and revenue			
Contributions	\$ 39,157	\$ 100,600	\$ 139,757
In-kind contribution - related party	18,641	-	18,641
Investment return	43,109	-	43,109
	<u>100,907</u>	<u>100,600</u>	<u>201,507</u>
Net assets released from restrictions	84,143	(84,143)	-
	<u>185,050</u>	<u>16,457</u>	<u>201,507</u>
Total revenues and other support			
Expenses			
Program services			
Scholarships	126,143	-	126,143
Outstanding educator award	1,000	-	1,000
	<u>127,143</u>	<u>-</u>	<u>127,143</u>
Total program services			
Support services			
In-kind management fee - related party	18,641	-	18,641
Professional services	9,000	-	9,000
Donations	1,000	-	1,000
Supplies, printing, and postage	157	-	157
Meetings and other expenses	989	-	989
	<u>29,787</u>	<u>-</u>	<u>29,787</u>
Total support services			
Total expenses	<u>156,930</u>	<u>-</u>	<u>156,930</u>
Changes in net assets	<u>28,120</u>	<u>16,457</u>	<u>44,577</u>
Net assets at beginning of year	<u>259,707</u>	<u>272,386</u>	<u>532,093</u>
Net assets at end of year	<u>\$ 287,827</u>	<u>\$ 288,843</u>	<u>\$ 576,670</u>

North Carolina CPA Foundation, Inc.

**Statement of Activities and Changes in Net Assets
Year Ended April 30, 2016**

	Unrestricted	Temporarily restricted	Total
Support and revenue			
Contributions	\$ 56,796	\$ 67,762	\$ 124,558
In-kind contribution - related party	27,234	-	27,234
Investment return	(1,875)	294	(1,581)
	<u>82,155</u>	<u>68,056</u>	<u>150,211</u>
Net assets released from restrictions	59,750	(59,750)	-
	<u>141,905</u>	<u>8,306</u>	<u>150,211</u>
Total revenues and other support			
Expenses			
Program services			
Scholarships	100,750	-	100,750
Outstanding educator award	1,000	-	1,000
	<u>101,750</u>	<u>-</u>	<u>101,750</u>
Total program services			
Support services			
In-kind management fee - related party	27,234	-	27,234
Professional services	11,287	-	11,287
Donations	1,000	-	1,000
Supplies, printing, and postage	1,697	-	1,697
Meetings and other expenses	951	-	951
	<u>42,169</u>	<u>-</u>	<u>42,169</u>
Total support services			
Total expenses	<u>143,919</u>	<u>-</u>	<u>143,919</u>
Changes in net assets	<u>(2,014)</u>	<u>8,306</u>	<u>6,292</u>
Net assets at beginning of year	<u>261,721</u>	<u>264,080</u>	<u>525,801</u>
Net assets at end of year	<u>\$ 259,707</u>	<u>\$ 272,386</u>	<u>\$ 532,093</u>

See Notes to Financial Statements.

North Carolina CPA Foundation, Inc.

**Statements of Cash Flows
Years Ended April 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities		
Changes in net assets	\$ 44,577	\$ 6,292
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Realized (gain) loss on investments	(8,587)	5,275
Unrealized (gain) loss on investments	(19,053)	15,286
Net changes in assets and liabilities that provided (used) cash		
Accounts receivable	(4,097)	49,392
Accounts payable	(3,800)	4,800
Accounts payable - related party	<u>1,090</u>	<u>(366)</u>
Net cash provided by (used in) operating activities	<u>10,130</u>	<u>80,679</u>
Cash flows from investing activities		
Purchases of investments	(126,587)	(136,344)
Sales of investments	<u>95,200</u>	<u>114,076</u>
Net cash provided by (used in) investing activities	<u>(31,387)</u>	<u>(22,268)</u>
Net increase (decrease) in cash and cash equivalents	(21,257)	58,411
Cash and cash equivalents at beginning of year	<u>91,961</u>	<u>33,550</u>
Cash and cash equivalents at end of year	<u><u>\$ 70,704</u></u>	<u><u>\$ 91,961</u></u>

See Notes to Financial Statements.

North Carolina CPA Foundation, Inc.

**Notes Financial Statements
April 30, 2017 and 2016**

Note 1 - Organization

The North Carolina Certified Public Accountant Foundation, Inc. (Foundation), was established in 1980 to further the development of accounting education and the accounting profession in North Carolina.

Note 2 - Summary of significant accounting policies

Basis of accounting

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

Basis of presentation

The Foundation 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 Foundation 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 Foundation did not have any permanently restricted net assets as of April 30, 2017 and 2016.

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 Foundation 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.

Receivables

The Foundation records accounts receivables at total unpaid balances which approximates estimated fair value as of April 30, 2017 and 2016. Receivables that management believes to be ultimately not collectible are written off upon such determination. At year end, the Foundation determined that all receivables were collectible.

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 and included in the changes in net assets.

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

Income taxes

The Foundation is a not-for-profit organization and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions provided in Section 170(b)(1)(A)(vi).

North Carolina CPA Foundation, Inc.

Notes Financial Statements April 30, 2017 and 2016

The Foundation is not currently under examination by the Internal Revenue Service or the State of North Carolina. The Foundations's taxable years that are open for potential examination are for the years ended April 30, 2014 through 2017.

Functional allocations of expenses

The costs of providing the various programs and the administration of the Foundation have been summarized on a functional basis in the statements of activities and changes in net assets.

Program services

The Foundation awards scholarships to accounting students attending North Carolina four-year colleges and universities, as well as community colleges. The Foundation recognizes one accounting educator at a North Carolina College or University for demonstrated excellence in classroom teaching, motivating students, educational innovation, and active involvement in activities related to the accounting profession. As part of their recognition, the Foundation provides an award to their school on the educator's behalf.

Donated services

The North Carolina Association of Certified Public Accountants, Inc. (NCACPA) and its members donate significant time by serving on the Foundation's committees and board. No amounts have been reflected in these financial statements for volunteered time since the services performed do not meet the requirements for recognition in the financial statements.

Reclassifications

Certain amounts in the 2016 financial statements have been reclassified to conform to the 2017 presentation.

Use of estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 3 - Concentration of credit risk

The Foundation 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. While the Foundation may have exceeded these limits at various times during the year, as of April 30, 2017 and 2016 the Foundation did not exceed these limits.

The Foundation 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, 2017 and 2016, the limits of protection extended up to \$500,000 for securities, including \$250,000 for cash and cash equivalents. As of April 30, 2017 and 2016, the Foundation did not exceed these limits.

North Carolina CPA Foundation, Inc.

**Notes Financial Statements
April 30, 2017 and 2016**

Note 4 - Investments

Investments as April 30, 2017 consist of the following:

	<u>Historical cost</u>	<u>Fair value</u>
Mutual funds	<u>\$ 479,061</u>	<u>\$ 498,114</u>

Investments as April 30, 2016 consist of the following:

	<u>Historical cost</u>	<u>Fair value</u>
Mutual funds	<u>\$ 457,065</u>	<u>\$ 439,087</u>

The following summarized the investment return for the fiscal years ended April 30, 2017 and 2016, respectively:

	<u>2017</u>	<u>2016</u>
Unrealized gain (loss) on investments	\$ 19,053	\$ (15,286)
Dividends and interest	17,849	21,142
Realized gain (loss) on investments	8,587	(5,275)
Investment fees	<u>(2,380)</u>	<u>(2,162)</u>
	<u>\$ 43,109</u>	<u>\$ (1,581)</u>

Note 5 - Fair market value measurements

The Foundation 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. 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 Foundation 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

North Carolina CPA Foundation, Inc.

**Notes Financial Statements
April 30, 2017 and 2016**

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

The following table presents assets that are measured at fair value on a recurring basis at April 30, 2017:

Fair value measurements at reporting date using:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual funds - bonds	\$ 152,120	\$ -	\$ -
Mutual funds - equities	294,511	-	-
Mutual funds - foreign equities	<u>51,483</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 498,114</u>	<u>\$ -</u>	<u>\$ -</u>

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:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual funds - bonds	\$ 138,103	\$ -	\$ -
Mutual funds - equities	256,566	-	-
Mutual funds - foreign equities	<u>44,418</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 439,087</u>	<u>\$ -</u>	<u>\$ -</u>

Note 6 - 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, 2017 and 2016. 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.

Note 7 - Temporarily restricted net assets:

The James L. McCoy, CPA Accounting Scholarship Fund was established to award scholarships to accounting students based on need and academic achievement. Scholarships from this fund are granted at the discretion of the Board of Directors of the Foundation. The fund was primarily supported by a joint effort between the late James L. McCoy, who donated time spent conducting an annual seminar, and NCACPA, which donated the net proceeds from the annual seminar. Per agreement with the donor, the Foundation will distribute the greater of the earnings of the fund for

North Carolina CPA Foundation, Inc.

Notes Financial Statements April 30, 2017 and 2016

the preceding calendar year or four percent of the principal balance as of the preceding December 31 year end.

For the years ended April 30, 2017 and 2016, NCACPA contributed \$5,708 and \$13,075, respectively, to the Fund. Additional contributions of \$48,867 and \$5,625 were received during the years ended April 30, 2017 and 2016, respectively. Scholarships totaling \$7,000 and \$10,000 were awarded during the years ended April 30, 2017 and 2016, respectively.

NCACPA makes an annual contribution to the Foundation to fund educational scholarships at the local level, as well as to fund scholarships awarded by the Minority Action Committee of the NCACPA. Annual contributions are approved by the NCACPA Board of Directors and totaled \$36,000 and \$36,000 for the years ended April 30, 2017 and 2016, respectively. Additional contributions may also be received and earmarked for chapter and committee scholarship funds from outside donor funds. Additional contributions may also be received and earmarked for specific scholarship funds from outside donors.

Temporarily restricted net assets are available for the following purposes at April 30, 2017 and 2016:

	2017	2016
James L. McCoy, CPA Accounting Scholarship	\$ 261,555	\$ 213,980
Chapter and Committee Scholarship Funds	16,752	47,870
Max Mukelabai Leadership Training Fund	10,536	10,536
	<u>\$ 288,843</u>	<u>\$ 272,386</u>

Net assets of \$84,143 and \$59,750 were released from restriction during the fiscal years ended April 30, 2017 and 2016, respectively.

Note 8 - Related Party Transactions

The Foundation and NCACPA are affiliated through common management wherein NCACPA provides management and other administrative services to the Foundation. The approximate cost of the unreimbursed NCACPA employees' time spent on Foundation activities totaled \$18,641 and \$27,234 for the fiscal years ending April 30, 2017 and 2016, respectively.

Additionally, NCACPA acts as an agent on behalf of the Foundation in the collection of contributions and in the payment of certain operating expenses of the Foundation, which are subsequently reimbursed. At April 30, 2017 and 2016, the net amount owed from the NCACPA to the Foundation totaled \$10,852 and \$7,845, respectively. NCACPA made contributions to the Foundation totaling \$50,632 and \$57,768 during the years ending April 30, 2017 and 2016, respectively. The remaining \$89,125 and \$66,790 in contribution income for the years ending April 30, 2017 and 2016, respectively, represent additional amounts collected on behalf of the Foundation made by NCACPA members for purposes of providing educational scholarships.

Note 9 - Subsequent events

Events that occur after the statement of financial position date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of financial

North Carolina CPA Foundation, Inc.

**Notes Financial Statements
April 30, 2017 and 2016**

position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of financial position date require disclosure in the accompanying notes. Management evaluated the activity of the Foundation through February 23, 2018 (date which the financial statements were available to be issued) and, concluded that no subsequent events have occurred that would require either recognition or additional disclosure in the financial statements.