

**South Carolina Association of Certified Public Accountants, Inc.  
and Related Entity**

**Report on Combined Financial Statements**

**As of and for the Years Ended  
June 30, 2016 and 2015**



South Carolina Association of Certified Public Accountants, Inc.  
and Related Entity

Table of Contents

---

	<u>Page</u>
<b>Independent Auditor’s Report</b> .....	1-2
<b>Financial Statements</b>	
Combined Statements of Financial Position.....	3
Combined Statements of Activity.....	4
Combined Statements of Cash Flows.....	5
<b>Notes to Combined Financial Statements</b> .....	6-15
<b>Supplementary Information</b>	
Schedule 1 – Schedule of Officers.....	16
Schedule 2 – Schedule of Revenues – Budget and Actual.....	17
Schedule 3 – Schedule of Expenses – Budget and Actual.....	18
Schedule 4 – Schedule of Named Scholarships – Educational Fund.....	19
Schedule 5 – Summarized Financial Information – Local Chapters.....	20



LYNNE D. JONES, CPA  
*Accounting . Auditing . Advisory Services*

## Independent Auditor's Report

Board of Directors  
South Carolina Association of Certified Public Accountants,  
Inc. and Related Entity  
Cayce, South Carolina

### **Report on the Combined Financial Statements**

I have audited the accompanying combined financial statements of the South Carolina Association of Certified Public Accountants, Inc. and Related Entity (a nonprofit association), (the "Association"), which comprise the combined statements of financial position as of June 30, 2016 and 2015, and the related combined statements of activities and cash flows and the related notes to the combined financial statements for the years then ended.

### **Management's Responsibility for the Combined Financial Statements**

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

### **Auditor's Responsibility**

My responsibility is to express an opinion on these combined financial statements based on my audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audits to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

[www.ljonescpa.com](http://www.ljonescpa.com)

330 East Coffee Street . Greenville, S.C. 29601

p 864.380.3275 f 864.551.4566 e ljones@ljonescpa.com

Member AICPA & SCACPA

**Opinion**

In my opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the South Carolina Association of Certified Public Accountants, Incorporated and Related Entity as of June 30, 2016 and 2015 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Report on Supplementary Information**

My audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audits of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole. The budgetary data, appearing in Schedule 2 and Schedule 3, which is the responsibility of management, is of a non-accounting nature and has not been subjected to the auditing procedures applied in the audits of the combined financial statements. Accordingly, I do not express an opinion or provide any assurance on it.

*Lynne D. Jones*

October 3, 2016

**South Carolina Association of Certified Public Accountants, Incorporated and Related Entity**  
**Combined Statements of Financial Position**  
**As of June 30,**

	<u>2016</u>	<u>2015</u>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 1,066,887	\$ 1,193,251
Investments, at fair market value	1,426,638	1,387,575
Accounts receivable, less allowance for doubtful accounts of \$1,500 and \$1,500, respectively	6,634	8,199
Prepaid expenses	55,739	54,906
Total current assets	<u>2,555,898</u>	<u>2,643,931</u>
<b>Noncurrent assets</b>		
Property and equipment, net	157,896	214,370
Total noncurrent assets	<u>157,896</u>	<u>214,370</u>
Total assets	<u>\$ 2,713,794</u>	<u>\$ 2,858,301</u>
<b>Liabilities and Net Assets</b>		
<b>Current liabilities</b>		
Accounts payable and accrued expenses	\$ 142,591	\$ 119,352
Unearned revenue	626,163	612,591
Total current liabilities	<u>768,754</u>	<u>731,943</u>
Total liabilities	<u>768,754</u>	<u>731,943</u>
<b>Net assets</b>		
Unrestricted		
Undesignated	1,433,501	1,656,493
Designated for scholarships	294,761	316,385
Total unrestricted	<u>1,728,262</u>	<u>1,972,878</u>
Temporarily restricted	115,597	73,874
Permanently restricted	101,181	79,606
Total net assets	<u>1,945,040</u>	<u>2,126,358</u>
Total liabilities and net assets	<u>\$ 2,713,794</u>	<u>\$ 2,858,301</u>

See notes to combined financial statements

**South Carolina Association of Certified Public Accountants, Incorporated and Related Entity**  
**Combined Statements of Activities**  
**For the Years Ended June 30,**

	<u>2016</u>	<u>2015</u>
<b>Unrestricted Net Assets</b>		
Support, revenue and gains		
Membership dues	\$ 830,908	\$ 815,388
Registration and conference fees	1,310,959	1,352,893
Interest and dividends	22,093	15,962
Advertising	17,378	34,022
Peer review program fees	125,940	129,840
Product sales	406	2,000
Affinity program revenues	4,663	6,965
Net appreciation in investments	20,127	1,356
Contributions - general to Educational Fund	5,697	9,727
Local chapters' contributions to Educational Fund	-	25,000
Other	4,621	3,334
Gain on disposal of equipment	-	80,343
Net assets released from restrictions	29,000	26,750
Total support, revenue and gains	<u>2,371,792</u>	<u>2,503,580</u>
Expenses and losses		
Scholarships - Educational Fund	29,000	26,750
Scholarships - Chapters	20,665	28,500
Member services and development	340,827	259,304
Conferences and meetings	851,813	840,768
General and administrative	1,346,317	1,300,952
Cost of product sales	(1,214)	227
Net assets released from restrictions - board designated unrestricted	29,000	26,750
Total expenses and losses	<u>2,616,408</u>	<u>2,483,251</u>
Change in unrestricted net assets	<u>(244,616)</u>	<u>20,329</u>
<b>Temporarily Restricted Net Assets</b>		
Revenues and gains (losses)		
Interest and dividends	1,986	1,627
Net appreciation in investments	325	16
Bank service charges and advisory fees	(588)	(588)
Contributions	40,000	-
Total revenues and gains	<u>41,723</u>	<u>1,055</u>
Change in temporarily restricted net assets	<u>41,723</u>	<u>1,055</u>
<b>Permanently Restricted Net Assets</b>		
Revenue support and gains		
Contributions	21,575	23,186
Change in permanently restricted net assets	<u>21,575</u>	<u>23,186</u>
Change in net assets	<u>(181,318)</u>	<u>44,570</u>
<b>Net assets, beginning of year</b>	<u>2,126,358</u>	<u>2,081,788</u>
<b>Net assets, end of year</b>	<u>\$ 1,945,040</u>	<u>\$ 2,126,358</u>

See notes to combined financial statements

**South Carolina Association of Certified Public Accountants, Incorporated and Related Entity**  
**Combined Statements of Cash Flows**  
**For the Years Ended June 30,**

	<u>2016</u>	<u>2015</u>
<b>Cash flows from Operating Activities</b>		
Change in net assets	\$ (181,318)	\$ 44,570
Adjustments to reconcile the change in net asset to net cash used in operating activities		
Depreciation	58,348	63,681
Contributions restricted for endowment	(21,575)	(23,186)
Gain on sale of investments	-	-
Net appreciation on investments	20,452	(1,756)
Gain on disposal of equipment	-	(80,343)
Changes in deferred and accrued amounts		
Accounts receivable	1,565	10,520
Prepaid expenses	(833)	(17,884)
Accounts payable and accrued expenses	23,239	10,240
Unearned revenue	13,572	(85,511)
Net cash used in operating activities	<u>(86,550)</u>	<u>(79,669)</u>
<b>Cash flows from Investing Activities</b>		
Redemption of certificate of deposit	-	451,124
Purchase of money market funds	-	(601,402)
Purchases of investments	(670,241)	-
Proceeds from sales of investments	610,726	-
Purchases of property and equipment	(1,874)	(220,322)
Proceeds from sale of building	-	386,658
Net cash provided by investing activities	<u>(61,389)</u>	<u>16,058</u>
<b>Cash flows from Financing Activities</b>		
Proceeds from contributions restricted for endowment	21,575	23,186
Net cash provided by financing activities	<u>21,575</u>	<u>23,186</u>
Net increase decrease in cash and cash equivalents	<u>(126,364)</u>	<u>(40,425)</u>
Cash and cash equivalents, beginning of year	1,193,251	1,233,676
Cash and cash equivalents, end of year	<u>\$ 1,066,887</u>	<u>\$ 1,193,251</u>

See notes to combined financial statements

**South Carolina Association of Certified Public Accountants, Inc. and Related Entity**  
**Notes to Combined Financial Statements**  
**For the Years Ended June 30, 2016 and 2015**

---

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Financial statement presentation**

The combined financial statements include the accounts of the South Carolina Association of Certified Public Accountants, Inc. (“SCACPA”), its eight separate chapters located throughout the state, and its related entity, the Educational Fund. SCACPA, its eight local chapters, and its related entity the Educational Fund, collectively, form the “Association.”

The Association reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

**Association**

SCACPA has a stated mission to promote the profession of certified public accounting by providing its members lifelong learning opportunities, promoting high ethical standards and legislative advocacy for both the profession and the public good. SCACPA includes eight separate local chapters located throughout the state of South Carolina.

The South Carolina Association of Certified Public Accountants, Inc. Educational Fund (“Educational Fund”), exists to promote high standards of scholarship, to encourage the study of accounting, and to further accounting education. The Educational Fund is supervised by five trustees selected from SCACPA membership who serve for five-year terms.

**Revenue recognition**

The books and accounts of the Association are maintained, and the accompanying combined financial statements are prepared, on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“US GAAP”). Revenues are recorded as earned and costs and expenses are recognized when the obligations are incurred. Accordingly, membership dues, initiation fees, and peer review fees are recorded as income in the period for which they are applicable. Registrations for continuing professional education courses are recognized in the period that the related courses are conducted. Members joining during the year are charged dues on a pro-rata basis. Membership dues received in advance are shown as unearned revenue and are recorded as revenue earned when the respective membership year begins. Pledges and contributions are recognized as income in the period payment is received.

The Association reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires (that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

**Estimates**

The preparation of the combined financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of changes in net assets during the reporting period. Actual results could differ from these estimates.



**South Carolina Association of Certified Public Accountants, Inc. and Related Entity**  
**Notes to Combined Financial Statements**  
**For the Years Ended June 30, 2016 and 2015**

---

**Net Assets**

The Association presents information regarding its financial position and activities according to three classes of net assets described as follows:

**Unrestricted** net assets are available for use in general operations.

**Temporarily restricted** net assets are contributions with temporary, donor-imposed time or purpose restrictions. Temporarily restricted net assets become unrestricted when the time restrictions expire or the contributions are used for their intended purpose, at which time they are reported in the statement of activities as net assets released from restrictions.

**Permanently restricted** net assets are contributions that may never be spent (i.e. endowment funds). They are provided with donor stipulations that they be invested to provide a permanent source of income for the Association.

**Functional allocation of expenses**

The costs of providing various programs and other activities have been summarized on a functional basis in the combined statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited according to management's best estimates.

**Cash and cash equivalents**

The Association considers all highly liquid instruments with an original maturity of three months or less to be cash equivalents.

**Property and equipment**

Property and equipment are recorded at acquisition cost, including costs necessary to prepare the asset for its intended use, or fair market value at the date of donation in the case of donated property, less allowances for depreciation. The Association capitalizes fixed asset expenditures over \$5,000. Depreciation is charged to operations on the straight-line method over estimated useful lives of the respective assets as follows:

Building and improvements	13 - 30 years
Furniture and equipment	3 - 10 years

Expenditures for repairs and maintenance are charged to operations as incurred. Costs of major additions and improvements are capitalized. The cost of property retired or otherwise disposed of and the related accumulated depreciation is eliminated from the respective accounts. Gains or losses resulting from such dispositions are reflected in changes in net assets on the Statement of Activities.

**South Carolina Association of Certified Public Accountants, Inc. and Related Entity**  
**Notes to Combined Financial Statements**  
**For the Years Ended June 30, 2016 and 2015**

---

**Income Tax status**

The Association, including local chapters, and the Education Fund are exempt from federal income taxes under Sections 501(c)(6) and 501(c)(3), respectively, of the Internal Revenue Code and therefore have made no provision for income taxes in the accompanying combined financial statements. The Association is also exempt from South Carolina state income taxes. In addition, the Education Fund has been determined by the Internal Revenue Service not to be a “private foundation” within the meaning of Section 509(a) of the Internal Revenue Code.

US GAAP requires management to evaluate income tax positions taken by the Association and recognize an income tax liability (or asset) if the Association has taken an uncertain position that more likely than not would not be substantiated upon examination by the Internal Revenue Service (“IRS”). The Association has identified its income tax status as a tax-exempt entity as its only significant income tax position; however, the Association has determined that such income tax position does not result in an uncertainty requiring recognition in the financial statements. The Association is not currently under examination by any taxing jurisdiction. SCACPA and the Educational Fund file IRS Form 990 annually with the IRS. The Association’s federal returns are generally open for examination for the three years ended June 30, 2016.

**Reclassification**

Certain accounts in the prior year’s combined financial statements have been reclassified to conform to current year presentations. These reclassifications have no effect on the previously reported net assets or changes in net assets.

**Concentration of credit risk**

The Association places its cash and cash equivalents with financial institutions that it believes to be of high quality. At times, deposits placed with these financial institutions may exceed Federal Deposit Insurance Corporation insurance limits. The Association believes that there is no significant credit risk with respect to these deposits.

**Advertising**

The Association expenses advertising costs as they are incurred. Advertising expense totaled \$54,226 and \$32,016 for the years ended June 30, 2016 and 2015, respectively.

**Investments**

The Association's investments are stated at estimated fair market value in the Statement of Financial Position. Changes in unrealized gains and losses are included in the change in net assets and are reported in the combined Statement of Activities.

Contributions to the Education Fund’s endowment (the “Endowment”) are allocated to Permanently Restricted, Temporarily Restricted, and Board Designated Unrestricted net asset categories in accordance with donor wishes. The Endowment’s investment earnings, and additional Education Fund resources, if necessary, are used to provide for the Education Fund’s named scholarship programs. Accordingly, the investment returns on the Endowment’s assets are reflected in Temporarily Restricted or Unrestricted net assets, as applicable. Realized gains or losses on sales of investments are based on the first in-first out method.

**South Carolina Association of Certified Public Accountants, Inc. and Related Entity**  
**Notes to Combined Financial Statements**  
**For the Years Ended June 30, 2016 and 2015**

**Compensated absences**

The Association accounts for paid time off by recording a liability for employees' vested rights to receive compensation for future absences attributable to services already performed.

**Subsequent events**

Subsequent events have been evaluated through October 3, 2016, the date the combined financial statements were available to be issued.

**NOTE 2 – CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consisted of the following as of June 30,

	<u>2016</u>	<u>2015</u>
SCACPA	\$ 663,541	\$ 847,743
Educational Fund	95,655	44,587
Local Chapters	307,691	300,921
	<u>\$ 1,066,887</u>	<u>\$ 1,193,251</u>

**NOTE 3 - INVESTMENTS**

Investments consisted of the following at June 30, 2016:

	<u>Cost</u>	<u>Gross Unrealized gains</u>	<u>Gross Unrealized losses</u>	<u>Fair Market Value</u>
Exchange traded funds	\$ 940,664	\$ 45,512	\$ -	\$ 986,176
Money market funds	54,257	-	-	54,257
Certificates of deposit	200,000	1,017	-	201,017
Mutual funds	180,085	5,103	-	185,188
	<u>\$ 1,375,006</u>	<u>\$ 51,632</u>	<u>\$ -</u>	<u>\$ 1,426,638</u>

Investments consisted of the following at June 30, 2015:

	<u>Cost</u>	<u>Gross Unrealized gains</u>	<u>Gross Unrealized losses</u>	<u>Fair Market Value</u>
Exchange traded funds	\$ 656,429	\$ 101,719	\$ -	\$ 758,148
Money market funds	627,537	1,890	-	629,427
	<u>\$ 1,283,966</u>	<u>\$ 103,609</u>	<u>\$ -</u>	<u>\$ 1,387,575</u>

Investments with a fair value at June 30, 2016 and 2015 of \$643,486 and \$629,321, respectively, and original cost at June 30, 2016 and 2015 of \$615,347 and \$555,388 respectively, are assets of the Educational Fund, some of which are permanently restricted. The amount stipulated by the donor to be retained in perpetuity as it relates to these investments is reflected in Note 8.

Sales of investments in the Education Fund for the year ended June 30, 2016 resulted in proceeds of \$610,726 and \$63,766 in gross realized gains.

**South Carolina Association of Certified Public Accountants, Inc. and Related Entity**  
**Notes to Combined Financial Statements**  
**For the Years Ended June 30, 2016 and 2015**

---

**NOTE 4 – FAIR VALUE OF FINANCIAL INSTRUMENTS**

The Association records investments according to US GAAP which establishes a framework for measuring fair value. That framework provides 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 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described below:

- Level 1 Assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the Association has the ability to access;
- Level 2 Assets and liabilities whose values are based on quoted prices in markets that are not active, or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability;
- Level 3 Assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value at June 30, 2016 and 2015:

***Money market funds:*** The carrying amounts of such instruments approximate fair value.

***Exchange traded funds and Mutual funds:*** Valued at the net asset value ("NAV") of shares held by the Association.

***Certificates of Deposit ("CD"):*** Value is based on the current market rate of a CD with a comparable remaining term of maturity as of the balance sheet date.

The methods described above may produce a fair value estimate that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Association believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

**South Carolina Association of Certified Public Accountants, Inc. and Related Entity**  
**Notes to Combined Financial Statements**  
**For the Years Ended June 30, 2016 and 2015**

The following table sets forth by level, within the fair value hierarchy, the Association's assets at fair value as of June 30, 2016 and 2015:

	Assets at fair value as of June 30, 2016			
	Level 1	Level 2	Level 3	Total
<b>Exchange traded funds</b>				
Blended funds	\$ 171,235	\$ -	\$ -	\$ 171,235
Growth funds	164,057	-	-	164,057
Income funds	510,786	-	-	510,786
Value funds	140,098	-	-	140,098
Money market funds	54,257	-	-	54,257
<b>Mutual funds</b>				
Income funds	185,188	-	-	185,188
Certificates of deposit	201,017	-	-	201,017
	<u>\$ 1,426,638</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,426,638</u>

	Assets at fair value as of June 30, 2015			
	Level 1	Level 2	Level 3	Total
<b>Exchange traded funds</b>				
Blended funds	\$ 75,570	\$ -	\$ -	\$ 75,570
Growth funds	167,053	-	-	167,053
Value funds	347,866	-	-	347,866
Money market funds	167,659	-	-	167,659
Certificates of deposit	629,427	-	-	629,427
	<u>\$ 1,387,575</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,387,575</u>

**NOTE 5 – PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at June 30,

	2016	2015
Building and improvements	\$ 69,800	\$ 69,800
Furniture and equipment	307,281	305,407
	<u>377,081</u>	<u>375,207</u>
Less accumulated depreciation	(219,185)	(160,837)
	<u>\$ 157,896</u>	<u>\$ 214,370</u>

Depreciation expense for the years ended June 30, 2016 and 2015, was \$58,348 and \$63,681, respectively.

**South Carolina Association of Certified Public Accountants, Inc. and Related Entity**  
**Notes to Combined Financial Statements**  
**For the Years Ended June 30, 2016 and 2015**

---

**NOTE 6 – UNEARNED REVENUE**

Unearned revenue consists of the Association’s membership dues, peer review fees, and conference fees collected in advance of services provided by the Association.

**NOTE 7 – TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS AND BOARD DESIGNATED NET ASSETS**

Temporarily and permanently restricted net assets and board designated net assets are net assets of the Educational Fund and represent contributions through named scholarships. Board designated net assets represent named scholarships whereby limitations are imposed by the board of directors rather than the donor. Interest and dividend earnings on such named scholarships, which are to be used for scholarship awards to worthy and qualifying accounting students, are credited to temporarily restricted and board designated net asset categories.

**NOTE 8 - ENDOWMENTS**

The Association’s Endowment Fund was established for educational (scholarship) purposes. It includes contributions with donor-imposed restrictions for 4 named scholarships. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

**Interpretation of Relevant Law**

The Board of Directors of the Association has interpreted the South Carolina Uniform Prudent Management of Institutional Funds Act (“SCUPMIFA”), to require the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Association classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Association in a manner consistent with the standard of prudence prescribed by SCUPMIFA. In accordance with SCUPMIFA, the Association considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Association and the donor-restricted endowment fund
3. General economic conditions
4. The possible effects of inflation and deflation
5. The expected total return from income and the changes in market value of investments
6. Other resources of the Association
7. The investment policies of the Association

**South Carolina Association of Certified Public Accountants, Inc. and Related Entity**  
**Notes to Combined Financial Statements**  
**For the Years Ended June 30, 2016 and 2015**

Endowment net asset composition by type of fund as of June 30, 2016 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 115,597	\$ 101,181	\$ 216,778
Board-designated endowment funds	294,761	-	-	294,761
<b>Total funds</b>	<b><u>\$ 294,761</u></b>	<b><u>\$ 115,297</u></b>	<b><u>\$ 101,181</u></b>	<b><u>\$ 511,539</u></b>

Changes in endowment net assets for the year ended June 30, 2016 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 316,385	\$ 73,874	\$ 79,606	\$ 469,865
Investment return:				
Investment income	8,505	1,986	-	10,491
Net appreciation (realized and unrealized)	1,392	325	-	1,717
<b>Total investment return</b>	<b>9,897</b>	<b>2,311</b>	<b>-</b>	<b>12,208</b>
Bank and investment advisory fees	(2,521)	(588)	-	(3,109)
Contributions	-	40,000	21,575	61,575
Assets released from restriction	(29,000)	-	-	(29,000)
<b>Endowment net assets, end of year</b>	<b><u>\$ 294,761</u></b>	<b><u>\$ 115,597</u></b>	<b><u>\$ 101,181</u></b>	<b><u>\$ 511,539</u></b>

Endowment net asset composition by type of fund as of June 30, 2015 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 73,874	\$ 79,606	\$ 153,480
Board-designated endowment funds	316,385	-	-	316,385
<b>Total funds</b>	<b><u>\$ 316,385</u></b>	<b><u>\$ 73,874</u></b>	<b><u>\$ 79,606</u></b>	<b><u>\$ 469,865</u></b>

Changes in endowment net assets for the year ended June 30, 2015 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 313,620	\$ 72,819	\$ 56,420	\$ 442,859
Investment return:				
Investment income	6,966	1,627	-	8,593
Net appreciation (realized and unrealized)	69	16	-	85
<b>Total investment return</b>	<b>7,035</b>	<b>1,643</b>	<b>-</b>	<b>8,678</b>
Bank and investment advisory fees	(2,520)	(588)	-	(3,108)
Contributions	25,000	-	23,186	48,186
Assets released from restriction	(26,750)	-	-	(26,750)
<b>Endowment net assets, end of year</b>	<b><u>\$ 316,385</u></b>	<b><u>\$ 73,874</u></b>	<b><u>\$ 79,606</u></b>	<b><u>\$ 469,865</u></b>

**South Carolina Association of Certified Public Accountants, Inc. and Related Entity**  
**Notes to Combined Financial Statements**  
**For the Years Ended June 30, 2016 and 2015**

---

**Funds with Deficiencies**

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SCUPMIFA requires the Association to retain as a fund of perpetual duration. In accordance with US GAAP, deficiencies of this nature are reported in unrestricted net assets. As of June 30, 2016 and 2015, the Association did not have any funds with deficiencies in its endowment.

**Return Objectives and Risk Parameters**

The Association has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Association must hold in perpetuity or for donor-specified periods. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce investment returns at least equal to the rate of inflation (Consumer Price Index) plus 5.0% while assuming a moderate level of investment risk.

**Strategies Employed for Achieving Objectives**

To satisfy its long-term rate-of-return objectives, the Association relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Association targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk management constraints.

**Spending Policy and How the Investment Objectives Relate to Spending Policy**

Each year the Association appropriates for distribution 5% of its endowment fund's average fair value over the prior 16 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Association considered the long-term expected return on its endowment. Accordingly, over the long term, the Association expects the current spending policy to allow its endowment to grow at an average of 5% annually. This is consistent with the Association's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

**NOTE 9 – RETIREMENT PLAN**

The Association established the South Carolina Association of CPA's, Inc. 401(k) Plan (the "Plan"), on January 1, 1999. Employees over 21 years of age become eligible after six months of service and are fully vested upon Plan entry. Participants may elect to defer a portion of their compensation up to the maximum allowed by law. The Association matches 100% of the first 3% of contributions, and 50% of contributions thereafter up to a maximum of 5%. Matching contributions from the Association for the years ended June 30, 2016 and 2015 were \$9,312 and \$11,326, respectively.



**South Carolina Association of Certified Public Accountants, Inc. and Related Entity**  
**Notes to Combined Financial Statements**  
**For the Years Ended June 30, 2016 and 2015**

---

**NOTE 10 - LEASES**

The Association has certain non-cancelable operating leases for office equipment requiring monthly payments ranging from \$374 to \$458. The Association also leases its current facilities under a non-cancellable operating lease that requires step-ups in payments over a 5-year lease term. Payments range from \$7,754 to \$8,559 per month. Total rent expense for the years ended June 30, 2016 and 2015 was \$117,691 and \$85,811, respectively.

Future minimum lease payments for years following June 30, 2016 are as follows:

2017	\$	107,144
2018		102,711
2019		102,079
2020		25,676
2021 and thereafter		-

**NOTE 11 – COMMITMENTS AND CONTINGENCIES**

As of June 30, 2016, the Association has entered into several agreements with South Carolina hotels for food, beverages, conference space and sleeping accommodations for conferences to be held subsequent to June 30, 2016. Should the Association cancel the agreements prior to the date of the conferences, the Association will owe a total of approximately \$35,340 to the hotels. This amount is not reflected in the Combined Statement of Financial Position at June 30, 2016 as the Association's management believes the likelihood of cancellation is remote.

**SUPPLEMENTARY INFORMATION**

**South Carolina Association of Certified Public Accountants, Inc. and Related Entity**  
**Schedule of Officers**  
**June 30, 2016**

---

**Immediate Past Chair**

John B. Fennell, CPA  
Myrtle Beach

**At-Large Director, Catawba Chapter**

Clarence Coleman Jr., CPA  
Rock Hill

**Chair**

Robert M. Tilton, CPA  
Florence

**At-Large Director, Piedmont Chapter**

Lesley H. Kelly, CPA  
Greenville

**Chair Elect**

Penny Lewis, CPA  
Isle of Palms

**At-Large Director, Piedmont Chapter**

Brad Ledford, CPA  
Greenville

**Secretary/Treasurer**

Cheryl O. Lang, CPA  
Spartanburg

**At-Large Director, Grand Strand Chapter**

James W. McIlrath, CPA  
Myrtle Beach

**Chief Executive Officer**

Chris Jenkins  
Lexington

**At-Large Director, Central Chapter**

Kenneth L. Newhouse, Jr., CPA  
West Columbia

**AICPA Elected Council Member**

Charles L. Talbert III, CPA  
Charleston

**At-Large Director, Coastal Chapter**

Zoe Davis, CPA  
Mount Pleasant

**At-Large Director, Sea Island Chapter**

Patrick P. Carey Jr., CPA  
Hilton Head

**At-Large Director, Catawba Chapter**

Suzanne M. Harnois, CPA  
Rock Hill

**South Carolina Association of Certified Public Accountants, Incorporated**  
**Schedule of Revenues - Budget and Actual (Educational Fund and Local Chapters Not Included)**  
**For the Year Ended June 30, 2016**

	<u>Actual</u>	<u>Budget</u>	<u>Over (Under)</u>
Advertising	\$ 17,378	\$ 30,000	\$ (12,622)
Affinity program revenues	4,663	4,000	663
Interest and dividends	7,746	1,456	6,290
Membership dues	657,993	668,383	(10,390)
Other	795	1,600	(805)
Marketing consulting fees	8,477	3,334	5,143
Peer review program fees	125,940	129,220	(3,280)
Chapter admin fees	13,165	19,700	(6,535)
Product sales	1,620	-	1,620
Member events revenue	69,047	90,250	(21,203)
Registration and conference fees	1,186,597	1,371,570	(184,973)
	<u>\$ 2,093,421</u>	<u>\$ 2,319,513</u>	<u>\$ (226,092)</u>

**South Carolina Association of Certified Public Accountants, Incorporated**  
**Schedule of Expenses - Budget and Actual (Educational Fund and Local Chapters Not Included)**  
**For the Year Ended June 30, 2016**

	Actual	Budget	(Over) Under
Membership marketing	\$ 54,227	\$ 33,690	\$ (20,537)
Bank charges	894	2,200	1,306
Board strategy and initiatives	31,637	-	(31,637)
Business insurance	14,142	14,100	(42)
Board activities	19,781	21,830	2,049
Committee activities	4,315	4,500	185
Courses and conferences	739,084	864,089	125,005
Delegate expenses	18,721	15,550	(3,171)
Depreciation	58,348	68,492	10,144
Dues and subscriptions	2,468	4,575	2,107
Employee insurance	52,023	72,865	20,842
Equipment rental	10,528	10,504	(24)
Office lease	105,968	97,812	(8,156)
Information technology	82,403	72,800	(9,603)
Local travel	2,476	1,020	(1,456)
Member events	126,317	125,750	(567)
Merchant fees	44,136	45,000	864
Office supplies	16,625	10,500	(6,125)
Payroll	560,057	531,807	(28,250)
Payroll taxes and benefits	42,981	40,079	(2,902)
Peer review	57,208	95,238	38,030
Personnel expenses - other	94,702	33,600	(61,102)
Postage	10,976	12,500	1,524
Printing	23,865	16,400	(7,465)
Professional development-staff	27,084	20,950	(6,134)
Professional fees	79,256	86,000	6,744
Property taxes	5,623	2,745	(2,878)
Repairs and maintenance - equipment	618	600	(18)
Repairs and maintenance - office	-	1,200	1,200
Retirement	9,312	13,500	4,188
Retirement administration fee	803	1,200	397
Storage rental	1,196	1,250	54
Telephone	14,690	15,600	910
CPA leadership institute	9,786	10,000	214
Other expenses	247	635	388
	<u>\$ 2,322,497</u>	<u>\$ 2,348,581</u>	<u>\$ 26,084</u>

**South Carolina Association of Certified Public Accountants, Inc. and Related Entity**  
**Schedule of Named Scholarships – Educational Fund**  
**June 30, 2016**

---

**Board designated named scholarships:**

Central Chapter Scholarship	\$ 93,165
Edgar Vaughn Scholarship	9,433
Frances Humphries Memorial Scholarship	9,317
Joe Jackson Scholarship	56,917
Kaye Carter Scholarship	16,098
Past President's Scholarship	33,493
Piedmont Chapter Scholarship	41,294
SCACPA Graduate Student Scholarship	22,768
Sea Island Chapter Scholarship	11,646
	<u>\$ 294,761</u>

**Temporarily Restricted scholarships:**

Birch, Oxner, Seale Scholarship	\$ 15,064
Burkett, Burkett & Burkett Scholarship	20,865
CC McGregor Scholarship	14,493
The Hobbs Group Scholarship	15,648
Robinson, Grant & Co. Scholarship	15,648
Sheheen, Hancock & Godwin Scholarship	15,648
Webster, Rogers & Company Scholarship	15,648
	<u>\$ 115,597</u>

**Donor restricted named scholarships (permanently restricted):**

Brigman, Holcomb, Weeks Scholarship	\$ 13,665
Lollie B. Harper Scholarship	26,144
Next 100 Years Scholarship	29,470
Ray Waters Scholarship	31,902
	<u>\$ 101,181</u>

**South Carolina Association of Certified Public Accountants, Incorporated and Related Entity**  
**Summarized Financial Information - Local Chapters**  
**For the Year Ended June 30, 2016**

	Catawba	Central	Coastal	Foothills	Grand Strand	Pee Dee	Piedmont	Sea Island
Cash	\$ 24,249	\$ 91,146	\$ 28,908	\$ 32,469	\$ 62,337	\$ 20,836	\$ 33,545	\$ 14,201
Net assets	\$ 22,348	\$ 91,198	\$ 11,129	\$ 31,873	\$ 62,337	\$ 20,529	\$ 33,626	\$ 10,276
Revenues								
Dues	\$ 8,870	\$ 32,650	\$ 55,350	\$ 7,515	\$ 25,750	\$ 5,935	\$ 22,400	\$ 14,445
Registration and conference fees	5,985	6,095	29,965	3,413	3,880	900	2,590	2,450
Total revenues	14,855	38,745	85,315	10,928	29,630	6,835	24,990	16,895
Expenses								
Scholarships	-	-	500	-	2,000	-	18,165	-
Member services	-	-	16,407	1,692	6,040	639	9,506	7,012
Conferences and meetings	11,965	12,828	60,502	4,035	10,423	3,236	5,639	4,101
General and administrative	1,180	6,530	16,407	1,692	6,040	639	9,506	7,012
Membership development	-	-	3,646	376	1,342	142	2,113	1,558
Total expenses	13,145	19,358	97,462	7,795	25,845	4,656	44,929	19,683
Change in unrestricted net assets:	\$ 1,710	\$ 19,387	\$ (12,147)	\$ 3,133	\$ 3,785	\$ 2,179	\$ (19,939)	\$ (2,788)