

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

Report on Combined Financial Statements

**As of and for the Years Ended
June 30, 2017 and 2016**



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

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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 Entities
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 Entities (a nonprofit association), (the "Association"), which comprise the combined statements of financial position as of June 30, 2017 and 2016, 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.

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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 Entities as of June 30, 2017 and 2016 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.

Emphasis of Matter

As discussed in Note 14 to the combined financial statements, the Association combined the results of a related entity and changed its method of tracking scholarship grants, both of which resulted in changes to net assets at June 30, 2016. I audited the adjustments described in Note 14 that were applied to restate the net assets at the beginning of the year ended June 30, 2017. In my opinion such adjustments are appropriate and have been properly applied.

Lynne D. Jones

January 19, 2018

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

	<u>2017</u>	<u>2016</u> <u>(Restated)</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 1,296,382	\$ 1,090,637
Investments, at fair market value	1,561,356	1,426,638
Accounts receivable, less allowance for doubtful accounts of \$1,500 and \$1,500, respectively	13,350	14,494
Prepaid expenses	45,051	55,739
Total current assets	<u>2,916,139</u>	<u>2,587,508</u>
Noncurrent assets		
Property and equipment, net	<u>101,929</u>	<u>157,896</u>
Total noncurrent assets	<u>101,929</u>	<u>157,896</u>
Total assets	<u>\$ 3,018,068</u>	<u>\$ 2,745,404</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 73,355	\$ 142,591
Unearned revenue	884,335	631,898
Total current liabilities	<u>957,690</u>	<u>774,489</u>
Total liabilities	<u>957,690</u>	<u>774,489</u>
Net assets		
Unrestricted		
Undesignated	1,458,349	1,426,555
Designated for scholarships	311,989	306,407
Total unrestricted	<u>1,770,338</u>	<u>1,732,962</u>
Temporarily restricted	188,859	136,772
Permanently restricted	101,181	101,181
Total net assets	<u>2,060,378</u>	<u>1,970,915</u>
Total liabilities and net assets	<u>\$ 3,018,068</u>	<u>\$ 2,745,404</u>

See notes to combined financial statements

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

	<u>2017</u>	<u>2016</u> <u>(Restated)</u>
Unrestricted Net Assets		
Support, revenue and gains		
Membership dues	\$ 900,708	\$ 788,408
Registration and conference fees	1,294,104	1,310,959
Interest and dividends	23,663	18,002
Advertising	19,435	17,378
Peer review program fees	55,000	125,940
Product sales, net	2,359	1,620
Affinity program revenues	4,576	4,663
Net appreciation in investments	29,486	2,386
Contributions - general to Educational Fund	12,720	5,696
Marketing consulting fees	5,697	8,477
Exclusive partnership membership	21,350	-
AICPA Student pipeline project	5,012	-
Other	43,754	13,922
Net assets released from restrictions	5,000	42,500
Total support, revenue and gains	<u>2,422,864</u>	<u>2,339,951</u>
Expenses and losses		
Scholarships - Educational Fund	32,139	24,500
Scholarships - Chapters	5,126	20,665
Member services and development	277,348	340,827
Conferences and meetings	964,723	851,813
General and administrative	1,101,594	1,342,062
AICPA student pipeline project	4,558	-
Total expenses and losses	<u>2,385,488</u>	<u>2,579,867</u>
Change in unrestricted net assets	<u>37,376</u>	<u>(239,916)</u>
Temporarily Restricted Net Assets		
Revenue, support and gains		
Interest and dividends	1,793	1,236
Net appreciation in investments	6,199	287
Contributions to PAC	28,845	22,805
Contributions to Educational Fund	20,250	40,000
Assets released from restrictions	(5,000)	(42,500)
Total revenues and gains	<u>52,087</u>	<u>21,828</u>
Change in temporarily restricted net assets	<u>52,087</u>	<u>21,828</u>
Permanently Restricted Net Assets		
Revenue, support and gains		
Contributions	-	21,575
Change in permanently restricted net assets	<u>-</u>	<u>21,575</u>
Change in net assets	89,463	(196,513)
Net assets, beginning of year	<u>1,970,915</u>	<u>2,167,428</u>
Net assets, end of year	<u>\$ 2,060,378</u>	<u>\$ 1,970,915</u>

See notes to combined financial statements

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

	<u>2017</u>	<u>2016</u> <u>(Restated)</u>
Cash flows from Operating Activities		
Change in net assets	\$ 89,463	\$ (196,513)
Adjustments to reconcile the change in net assets to net cash used in operating activities		
Depreciation	55,967	58,348
Contributions restricted for endowment	(20,250)	(61,575)
Net realized and unrealized gains on investments	35,685	20,452
Changes in deferred and accrued amounts		
Accounts receivable	1,144	(6,295)
Prepaid expenses	10,688	(833)
Accounts payable and accrued expenses	(69,236)	23,239
Unearned revenue	252,437	19,307
Net cash provided by (used in) operating activities	<u>355,898</u>	<u>(143,870)</u>
Cash flows from Investing Activities		
Purchases of investments	(605,889)	(670,241)
Proceeds from sales of investments	435,486	610,726
Purchases of property and equipment	-	(1,874)
Net cash (used in) investing activities	<u>(170,403)</u>	<u>(61,389)</u>
Cash flows from Financing Activities		
Proceeds from contributions restricted for endowment	20,250	61,575
Net cash provided by financing activities	<u>20,250</u>	<u>61,575</u>
Net increase (decrease) in cash and cash equivalents	205,745	(143,684)
Cash and cash equivalents, beginning of year	1,090,637	1,234,321
Cash and cash equivalents, end of year	<u>\$ 1,296,382</u>	<u>\$ 1,090,637</u>

See notes to combined financial statements

South Carolina Association of Certified Public Accountants, Inc. and Related Entities
Notes to Combined Financial Statements
For the Years Ended June 30, 2017 and 2016

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 entities, the Educational Fund, and the PAC. SCACPA, its eight local chapters, the Educational Fund, and the PAC, 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.

The South Carolina Association of Certified Public Accountants, Inc. Political Action Committee (“PAC”), is a non-partisan, non-profit advocacy organization that was created to provide the opportunity for individuals interested in the future of the accounting profession to contribute to the support of candidates for state office who believe in, and have demonstrated their beliefs in, the principles to which the profession is dedicated. The PAC is a tax-exempt, non-profit, unincorporated political committee that operates as a separate, segregated fund. The PAC is supervised by five trustees selected from SCACPA membership who serve for five-year terms. See Note 14 for further discussion of PAC consolidation and June 30, 2016 restatement of net assets.

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.

South Carolina Association of Certified Public Accountants, Inc. and Related Entities
Notes to Combined Financial Statements
For the Years Ended June 30, 2017 and 2016

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.

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, including board-designated unrestricted.

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 Entities
Notes to Combined Financial Statements
For the Years Ended June 30, 2017 and 2016

Income Tax status

The Association and local chapters are exempt from federal income taxes under Section 501(c)(6) of the Internal Revenue Code, (“IRC”). The Educational Fund and PAC are exempt from federal income taxes under Sections 501(c)(3) and Section 527, respectively, of the IRC. Therefore, no provision for income taxes has been recorded in the accompanying combined financial statements. The Association is also exempt from South Carolina state income taxes. In addition, the Educational 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 combined 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 three years.

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. All deposits are placed in institutions insured by the Federal Depository Insurance Corporation (FDIC) and do not exceed FDIC insurance limits. The Association does not have any credit risk with respect to these deposits.

Advertising

The Association expenses advertising costs as they are incurred. Advertising expense totaled \$73,492 and \$54,226 for the years ended June 30, 2017 and 2016, respectively.

Investments

The Association's investments are stated at estimated fair market value in the combined 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 Educational 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 Educational Fund resources, if necessary, are used to provide for the Educational 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 Entities
Notes to Combined Financial Statements
For the Years Ended June 30, 2017 and 2016

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 January 19, 2018, 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,

	2017	2016 (Restated)
SCACPA	\$ 826,051	\$ 663,541
Educational Fund	57,157	95,655
Local Chapters	358,954	307,691
PAC	54,220	23,750
	\$ 1,296,382	\$ 1,090,637

NOTE 3 - INVESTMENTS

Investments consisted of the following at June 30, 2017:

	Cost	Gross Unrealized gains	Gross Unrealized losses	Fair Market Value
Exchange traded funds	\$ 1,001,199	\$ 105,769	\$ -	\$ 1,106,968
Money market funds	125,750	-	-	125,750
Certificates of deposit	140,000	557	-	140,557
Mutual funds	181,237	6,844	-	188,081
	\$ 1,448,186	\$ 113,170	\$ -	\$ 1,561,356

Investments consisted of the following at June 30, 2016:

	Cost	Gross Unrealized gains	Gross Unrealized losses	Fair Market Value
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
	\$ 1,375,006	\$ 51,632	\$ -	\$ 1,426,638

South Carolina Association of Certified Public Accountants, Inc. and Related Entities
Notes to Combined Financial Statements
For the Years Ended June 30, 2017 and 2016

Investments with a fair value at June 30, 2017 and 2016 of \$723,846 and \$643,486, respectively, and original cost at June 30, 2017 and 2016 of \$696,129 and \$615,347 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 10.

Sales of investments in the Educational Fund for the year ended June 30, 2017 resulted in proceeds of \$435,486 and \$15,931 in gross realized gains.

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

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, 2017 and 2016:

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 Entities
Notes to Combined Financial Statements
For the Years Ended June 30, 2017 and 2016

The following table sets forth by level, within the fair value hierarchy, the Association's assets at fair value as of June 30, 2017 and 2016:

	Assets at fair value as of June 30, 2017			
	Level 1	Level 2	Level 3	Total
Exchange traded funds				
Blended funds	\$ 229,477	\$ -	\$ -	\$ 229,477
Growth funds	189,610	-	-	189,610
Income funds	548,413	-	-	548,413
Value funds	139,468	-	-	139,468
Money market funds	125,750	-	-	125,750
Mutual funds				
Income funds	188,081	-	-	188,081
Certificates of deposit	140,557	-	-	140,557
	\$ 1,561,356	\$ -	\$ -	\$ 1,561,356

	Assets at fair value as of June 30, 2016			
	Level 1	Level 2	Level 3	Total
Exchange traded funds				
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
Mutual funds				
Income funds	185,188	-	-	185,188
Certificates of deposit	201,017	-	-	201,017
	\$ 1,426,638	\$ -	\$ -	\$ 1,426,638

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30,

	2017	2016
Building and improvements	\$ 69,800	\$ 69,800
Furniture and equipment	256,842	307,281
	326,642	377,081
Less accumulated depreciation	(224,713)	(219,185)
	\$ 101,929	\$ 157,896

Depreciation expense for the years ended June 30, 2017 and 2016, was \$55,967 and \$58,348, respectively.

South Carolina Association of Certified Public Accountants, Inc. and Related Entities
Notes to Combined Financial Statements
For the Years Ended June 30, 2017 and 2016

NOTE 6 – UNEARNED REVENUE

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

NOTE 7 – TEMPORARILY AND PERMANENTLY RESTRICTED 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. 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. Additionally, temporarily restricted net assets also consist of net assets of SCACPA which represent contributions to the PAC that have been designated for use in accordance with the mission and purpose of the PAC.

Temporarily restricted net assets are as follows at June 30,

	<u>2017</u>	<u>2016</u>
Burch, Oxner, Seale scholarship	\$ 9,905	\$ 9,706
Burkett, Burkett & Burkett scholarship	13,554	13,109
CC McGregor scholarship	10,496	10,258
The Hobbs Group scholarship	9,906	9,706
John S. Herrin scholarship	61,060	39,000
Robinson, Grant & Company scholarship	9,906	9,706
Sheheen, Hancock & Godwin scholarship	9,906	9,706
Webster Rogers & Company scholarship	9,906	9,706
PAC contributions	<u>54,220</u>	<u>25,875</u>
	<u>\$ 188,859</u>	<u>\$ 136,772</u>

Permanently restricted net assets are as follows at June 30,

	<u>2017</u>	<u>2016</u>
Brigman, Holcomb, Weeks scholarship	\$ 10,751	\$ 10,751
Lollie B. Harper scholarship	20,569	20,569
Next 100 Years scholarship	44,761	44,761
Ray Waters scholarship	<u>25,100</u>	<u>25,100</u>
	<u>\$ 101,181</u>	<u>\$ 101,181</u>

South Carolina Association of Certified Public Accountants, Inc. and Related Entities
Notes to Combined Financial Statements
For the Years Ended June 30, 2017 and 2016

NOTE 8 - BOARD DESIGNATED NET ASSETS

Board designated net assets represent named scholarships whereby limitations are imposed by the board of directors rather than the donor. Board designated net assets are as follows at June 30,

	<u>2017</u>	<u>2016</u>
Central chapter scholarship	\$ 99,056	\$ 97,062
Edgar Vaughn scholarship	10,042	9,834
Frances Humphries scholarship	9,906	9,706
Joe Jackson scholarship	60,630	59,353
Kaye Carter scholarship	15,798	16,135
Past President's scholarship	36,227	35,191
Piedmont chapter scholarship	47,166	44,927
SCACPA Graduate Student scholarship	20,523	21,941
Sea Island chapter scholarship	12,641	12,258
	<u>\$ 311,989</u>	<u>\$ 306,407</u>

NOTE 9 - ASSETS RELEASED FROM RESTRICTIONS

	<u>2017</u>	<u>2016</u>
Burch, Oxner, Seale scholarship	\$ 500	\$ 500
Burkett, Burkett & Burkett scholarship	500	500
CC McGregor scholarship	500	500
The Hobbs Group scholarship	500	500
John S. Herrin scholarship	1,000	1,000
Robinson, Grant & Company scholarship	500	500
Sheheen, Hancock & Godwin scholarship	500	500
Webster Rogers & Company scholarship	500	500
PAC expenses paid	500	38,000
Total assets released from restriction	<u>\$ 5,000</u>	<u>\$ 42,500</u>

NOTE 10 - ENDOWMENTS

The Association's Endowment Fund was established for educational (scholarship) purposes. It includes contributions with donor-imposed restrictions for 12 named scholarships. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

South Carolina Association of Certified Public Accountants, Inc. and Related Entities
Notes to Combined Financial Statements
For the Years Ended June 30, 2017 and 2016

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 Entities
Notes to Combined Financial Statements
For the Years Ended June 30, 2017 and 2016

Endowment net asset composition by type of fund as of June 30, 2017 is as follows:

	Board				Total
	Unrestricted	Designated Unrestricted	Temporarily Restricted	Permanently Retricted	
Donor restricted endowment funds	\$ -	\$ -	\$ 134,639	\$ 101,181	\$ 235,820
Board designated endowment funds	-	311,989	-	-	311,989
Other unrestricted endowment funds	234,195	-	-	-	234,195
Total funds	\$ 234,195	\$ 311,989	\$ 134,639	\$ 101,181	\$ 782,004

Changes in endowment net assets for the year ended June 30, 2017 are as follows:

	Board				Total
	Unrestricted	Designated Unrestricted	Temporarily Restricted	Permanently Retricted	
Endowment net assets, beginning of year	\$ 221,136	\$ 306,407	\$ 110,897	\$ 101,181	\$ 739,621
Investment return:					-
Investment income	3,618	4,955	1,793	-	10,366
Net appreciation (realized and unrealized)	12,360	17,127	6,199	-	35,686
Total investment return	15,978	22,082	7,992	-	46,052
Scholarships paid	(15,639)	(16,500)	-	-	(32,139)
Contributions	12,720	-	20,250	-	32,970
Released from restrictions or designations	4,500	-	(4,500)	-	-
Appropriation of endowment assets for expenditure	(4,500)	-	-	-	(4,500)
Endowment net assets, end of year	\$ 234,195	\$ 311,989	\$ 134,639	\$ 101,181	\$ 782,004

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

	Board				Total
	Unrestricted	Designated Unrestricted	Temporarily Restricted	Permanently Retricted	
Donor restricted endowment funds	\$ -	\$ -	\$ 110,897	\$ 101,181	\$ 212,078
Board designated endowment funds	-	306,407	-	-	306,407
Other unrestricted endowment funds	221,136	-	-	-	221,136
Total funds	\$ 221,136	306,407	\$ 110,897	\$ 101,181	\$ 739,621

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

	Board				Total
	Unrestricted	Designated Unrestricted	Temporarily Restricted	Permanently Retricted	
Endowment net assets, beginning of year	\$ 217,319	\$ 316,385	\$ 73,874	\$ 79,606	\$ 687,184
Investment return:					-
Investment income	4,966	5,291	1,236	-	11,493
Net appreciation (realized and unrealized)	1,155	1,231	287	-	2,673
Total investment return	6,121	6,522	1,523	-	14,166
Scholarships paid	(8,000)	(16,500)	-	-	(24,500)
Contributions	5,696	-	40,000	21,575	67,271
Released from restrictions	4,500	-	(4,500)	-	-
Appropriation of endowment assets for expenditure	(4,500)	-	-	-	(4,500)
Endowment net assets, end of year	\$ 221,136	\$ 306,407	\$ 110,897	\$ 101,181	\$ 739,621

South Carolina Association of Certified Public Accountants, Inc. and Related Entities
Notes to Combined Financial Statements
For the Years Ended June 30, 2017 and 2016

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, 2017, and 2016, 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 a competitive rate of return over a three to five-year period. The asset allocation decisions are based on a careful examination of the mission and goals of SCACPA and the Association Investments entrusted to SCACPA and historical review of various asset categories, their risk and return characteristics and correlation coefficient.

Funds that are defined to be permanent in nature will employ a long-term approach to the investment of these dollars. The primary investment objective of these funds is to provide for a total return sufficient to meet spending needs while preserving the purchasing power of the corpus and minimizing year-to-year fluctuations in the value of the portfolio. Funds defined as board directed or otherwise not permanent may employ an investment approach as deemed appropriate by the Trustees.

Strategies Employed for Achieving Objectives

The SCACPA Educational Fund Trustees will review the Asset Allocation Plan at least once annually and modify it as necessary. To achieve the investment objective, the assets shall be allocated among a number of asset classes. These asset classes, which may be actively managed or index products, may include: core large, mid or small cap domestic equities, style specific domestic equities, domestic investment grade fixed income securities, global investment grade fixed income securities, international equities and cash equivalents. In addition, hard assets represented by domestic real estate and commodities may be included.

Spending Policy and How the Investment Objectives Relate to Spending Policy

Each year the Association appropriates for distribution 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. The spending benchmark will be within the range allowed by SCUPMIFA and will be reviewed by the Ed Fund Trustees at least annually.

South Carolina Association of Certified Public Accountants, Inc. and Related Entities
Notes to Combined Financial Statements
For the Years Ended June 30, 2017 and 2016

NOTE 11 – 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, 2017 and 2016 were \$11,381 and \$9,312 respectively.

NOTE 12 - LEASES

The Association has certain non-cancellable 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 ending August 31, 2019. Payments range from \$7,754 to \$8,559 per month. Total rent expense for the years ended June 30, 2017 and 2016 was \$108,401 and \$117,691 respectively.

Future minimum lease payments for years following June 30, 2017 are as follows:

2018	\$	102,711
2019		102,079
2020		25,676
2021		-
2022 and thereafter		-

NOTE 13 – COMMITMENTS AND CONTINGENCIES

As of June 30, 2017, 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, 2017. Should the Association cancel the agreements prior to the date of the conferences, the Association will owe a total of approximately \$27,356 to the hotels. This amount is not reflected in the Combined Statement of Financial Position at June 30, 2017 as the Association’s management believes the likelihood of cancellation is remote.

NOTE 14 – PRIOR PERIOD ADJUSTMENTS

During the year ended June 30, 2017, the Association performed a detailed analysis of funds received by the Educational Fund so that those funds could be more accurately tracked on an individual scholarship basis. This analysis included amounts received in prior years. As a result of this analysis, reclassifications have been made to the June 30, 2016 net asset classifications and change in net assets as noted below. Further, during the year ended June 30, 2017, the Association analyzed the PAC and its relationship with SCACPA and determined that criteria have been met under accounting principles generally accepted in the United States of America to consolidate the PAC with the net assets, results of operations and cash flows of SCACPA. As such, net assets, results of operations and cash flows for the PAC are retroactively reflected in these combined financial statements as of and for the year ended June 30, 2016. The restatement had the following effect on total net assets and the change in net assets for the year ended June 30, 2016:

South Carolina Association of Certified Public Accountants, Inc. and Related Entities
Notes to Combined Financial Statements
For the Years Ended June 30, 2017 and 2016

	<u>As previously reported</u>	<u>Adjustments for PAC</u>	<u>Adjustments for Educational Fund net asset reclassification</u>	<u>As Restated</u>
Unrestricted				
Undesignated	\$ 1,433,501	\$ -	\$ (6,946)	\$ 1,426,555
Designated for scholarships	<u>294,761</u>	<u>-</u>	<u>11,646</u>	<u>306,407</u>
Total unrestricted	1,728,262	-	4,700	1,732,962
Temporarily restricted	115,597	25,875	(4,700)	136,772
Permanently restricted	<u>101,181</u>	<u>-</u>	<u>-</u>	<u>101,181</u>
Total net assets	<u>\$ 1,945,040</u>	<u>\$ 25,875</u>	<u>\$ -</u>	<u>\$ 1,970,915</u>
Change in net assets	<u>\$ (181,318)</u>	<u>\$ (15,195)</u>	<u>\$ -</u>	<u>\$ (196,513)</u>

SUPPLEMENTARY INFORMATION

South Carolina Association of Certified Public Accountants, Inc. and Related Entities
Schedule of Officers - SCACPA
June 30, 2017

Chair

Penny Lewis, CPA
Mount Pleasant

At-Large Director, Piedmont Chapter

Graham A. Gage, CPA
Greenville

Chair Elect

Cheryl O. Lang, CPA
Spartanburg

At-Large Director, Piedmont Chapter

Lesley H. Kelly, CPA
Greenville

Immediate Past Chair

Robert M. Tilton, CPA
Florence

At-Large Director, Piedmont Chapter

Brad Ledford, CPA
Greenville

Secretary/Treasurer

Clarence Coleman Jr., CPA
Rock Hill

At-Large Director, Piedmont Chapter

Harris Darver, CPA
Greenville

Chief Executive Officer

Christopher D. Jenkins, CAE
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, Catawba Chapter

Suzanne M. Harnois, CPA
Rock Hill

South Carolina Association of Certified Public Accountants, Inc. and Related Entities
Schedule of Officers – Educational Fund
June 30, 2017

Chair

Sheryl McAlister, CPA
North Charleston

Trustee

Valerie E. Rumbough, CPA
Chapin

Trustee

Sherri L. Freudiger, CPA
Myrtle Beach

Trustee

Charles E. Alvis., CPA
Mount Pleasant

Trustee

John W. Robinson, Jr., CPA
Spartanburg

South Carolina Association of Certified Public Accountants, Incorporated
Schedule of Revenues - Budget and Actual (Educational Fund, Local Chapters and PAC Not Included)
For the Year Ended June 30, 2017

	<u>Actual</u>	<u>Budget</u>	<u>Over (Under)</u>
Advertising	\$ 19,435	\$ 30,000	\$ (10,565)
Affinity program revenues	4,576	5,000	(424)
Interest and dividends	15,090	1,000	14,090
Membership dues	736,123	738,000	(1,877)
Other	43,105	-	43,105
Marketing consulting fees	5,697	10,000	(4,303)
Peer review program fees	55,000	126,000	(71,000)
Chapter admin fees	20,760	22,000	(1,240)
Product sales	2,359	-	2,359
Member services and development	14,438	23,000	(8,562)
Registration and conference fees	1,169,844	1,347,000	(177,156)
Exclusive partner membership	21,350	-	21,350
AICPA student pipeline project	5,012	-	5,012
	<u>\$ 2,112,789</u>	<u>\$ 2,302,000</u>	<u>\$ (189,211)</u>

South Carolina Association of Certified Public Accountants, Incorporated
Schedule of Expenses - Budget and Actual (Educational Fund, Local Chapters and PAC Not Included)
For the Year Ended June 30, 2017

	Actual	Budget	(Over) Under
Membership marketing	\$ 73,492	\$ 74,000	\$ 508
Bank charges	1,077	1,000	(77)
Board strategy and initiatives	-	7,000	7,000
Business insurance	9,958	14,000	4,042
Board activities	20,288	22,000	1,712
Committee activities	6,234	3,000	(3,234)
Courses and conferences	808,629	828,000	19,371
Delegate expenses	15,121	13,000	(2,121)
Depreciation	55,967	56,000	33
Dues and subscriptions	5,899	5,000	(899)
Employee insurance	48,366	81,000	32,634
Equipment rental	9,810	11,000	1,190
Office lease	97,404	98,000	596
Information technology	64,865	73,000	8,135
Local travel	2,722	1,000	(1,722)
Member services and development	116,741	65,000	(51,741)
Merchant fees	43,463	47,000	3,537
Office supplies	9,621	11,000	1,379
Payroll	524,229	600,000	75,771
Payroll taxes and benefits	45,288	46,000	712
Peer review	42,694	97,000	54,306
Personnel expenses - other	11,004	6,000	(5,004)
Postage	5,530	15,000	9,470
Printing	8,388	20,000	11,612
Professional development-staff	23,398	17,000	(6,398)
Professional fees	70,262	83,000	12,738
Property taxes	4,548	6,000	1,452
Repairs and maintenance - equipment	794	1,000	206
Repairs and maintenance - office	1,887	1,000	(887)
Retirement	11,381	14,000	2,619
Retirement administration fee	805	1,000	195
Storage rental	1,188	1,000	(188)
Telephone	17,792	15,000	(2,792)
Student pipeline project	4,558	-	(4,558)
Other expenses	1,166	-	(1,166)
Contingency	-	25,000	25,000
	<u>\$ 2,164,569</u>	<u>\$ 2,358,000</u>	<u>\$ 168,431</u>

South Carolina Association of Certified Public Accountants, Inc. and Related Entities
Schedule of Officers – Educational Fund
June 30, 2017

Board designated named scholarships:

Central Chapter Scholarship	\$ 99,056
Edgar Vaughn Scholarship	10,042
Frances Humphries Memorial Scholarship	9,906
Joe Jackson Scholarship	60,630
Kaye Carter Scholarship	15,798
Past President's Scholarship	36,227
Piedmont Chapter Scholarship	47,166
SCACPA Graduate Student Scholarship	20,523
Sea Island Chapter Scholarship	12,641
	<u>\$ 311,989</u>

Temporarily Restricted Scholarships:

Birch, Oxner, Seale Scholarship	9,905
Burkett, Burkett & Burkett Scholarship	13,554
CC McGregor Scholarship	10,496
The Hobbs Group Scholarship	9,906
John S. Herrin Scholarship	61,060
Robinson, Grant & Company Scholarship	9,906
Sheheen, Hancock & Godwin Scholarship	9,906
Webster, Rogers & Company Scholarship	9,906
	<u>\$ 134,639</u>

Permanently Restricted Scholarships:

Brigman, Holcomb, Weeks Scholarship	\$ 10,751
Lollie B. Harper Scholarship	20,569
Next 100 Years Scholarship	44,761
Ray Waters Scholarship	25,100
	<u>\$ 101,181</u>

South Carolina Association of Certified Public Accountants, Incorporated and Related Entities
Summarized Financial Information - Local Chapters
For the Year Ended June 30, 2017

	<u>Catawba</u>	<u>Central</u>	<u>Coastal</u>	<u>Foothills</u>	<u>Grand Strand</u>	<u>Pee Dee</u>	<u>Piedmont</u>	<u>Sea Island</u>
Cash	<u>\$ 22,021</u>	<u>\$ 108,822</u>	<u>\$ 48,319</u>	<u>\$ 29,793</u>	<u>\$ 70,972</u>	<u>\$ 22,058</u>	<u>\$ 40,323</u>	<u>\$ 16,646</u>
Net assets	<u>\$ 22,021</u>	<u>\$ 109,072</u>	<u>\$ 48,739</u>	<u>\$ 31,525</u>	<u>\$ 70,972</u>	<u>\$ 22,058</u>	<u>\$ 40,323</u>	<u>\$ 9,121</u>
Revenues								
Dues	\$ 8,475	\$ 29,450	\$ 57,400	\$ 6,750	\$ 25,125	\$ 5,280	\$ 22,760	\$ 14,345
Registration and conference fees	15,955	8,839	30,237	13,129	6,470	2,020	11,200	1,860
Total revenues	<u>24,430</u>	<u>38,289</u>	<u>87,637</u>	<u>19,879</u>	<u>31,595</u>	<u>7,300</u>	<u>33,960</u>	<u>16,205</u>
Expenses								
Scholarships	55	1,000	-	1,396	1,675	1,000	-	-
Conferences and meetings	23,563	13,427	45,867	17,122	17,534	3,653	21,818	15,887
General and administrative	1,140	6,148	4,310	1,605	3,751	1,118	5,365	1,346
Total expenses	<u>24,758</u>	<u>20,575</u>	<u>50,177</u>	<u>20,123</u>	<u>22,960</u>	<u>5,771</u>	<u>27,183</u>	<u>17,233</u>
Change in unrestricted net assets	<u>\$ (328)</u>	<u>\$ 17,714</u>	<u>\$ 37,460</u>	<u>\$ (244)</u>	<u>\$ 8,635</u>	<u>\$ 1,529</u>	<u>\$ 6,777</u>	<u>\$ (1,028)</u>