

SOUTH CAROLINA ASSOCIATION OF CERTIFIED PUBLIC  
ACCOUNTANTS, INC. AND RELATED ENTITIES

---

COMBINED AUDITED FINANCIAL STATEMENTS  
AND OTHER SUPPLEMENTARY INFORMATION

---

YEARS ENDED JUNE 30, 2020 AND 2019

WITH

INDEPENDENT AUDITORS' REPORT

SOUTH CAROLINA ASSOCIATION OF CERTIFIED PUBLIC  
ACCOUNTANTS, INC. AND RELATED ENTITIES

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COMBINED AUDITED FINANCIAL STATEMENTS  
AND OTHER SUPPLEMENTARY INFORMATION

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YEARS ENDED JUNE 30, 2020 AND 2019

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# THE BRITTINGHAM GROUP, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
South Carolina Association of Certified Public Accountants, Inc.  
1300 12<sup>th</sup> Street, Suite D  
Cayce, South Carolina 29033

We have audited the accompanying combined financial statements of the South Carolina Association of Certified Public Accountants, Inc. (a nonprofit organization) and Related Entities (the "Association"), which comprise the combined statement of financial position as of June 30, 2020 and 2019, and the related combined statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the combined financial statements.

### **Management's Responsibility for the 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 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 combined 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 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 Association'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 Association'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 combined 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 combined financial statements referred to above present fairly, in all material respects, the financial position of the Association as of June 30, 2020 and 2019, and its changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. Schedules I and II are presented for purposes of additional analysis of the combined financial statements and are not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the combined financial statements. The combining information has been subjected to the auditing procedures applied in the audit of the 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 our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

Schedules III, IV, V, and VI, which are the responsibility of management, are of a non-accounting nature and have not been subjected to the auditing procedures applied in the audit of the combined financial statements. Accordingly, we do not express an opinion or provide assurance on them.

The Brittingham Group LLP

West Columbia, South Carolina  
October 20, 2020

SOUTH CAROLINA ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS, INC.  
AND RELATED ENTITIES

COMBINED STATEMENTS OF FINANCIAL POSITION

|   | <b>June 30,</b>     |                     |
|---|---------------------|---------------------|
|   | <b>2020</b>         | <b>2019</b>         |
| <b>Assets</b>                               |                     |                     |
| Current assets                              |                     |                     |
| Cash and cash equivalents                   | \$ 1,363,110        | \$ 1,385,709        |
| Investments                                 | 1,737,569           | 1,706,671           |
| Accounts receivable                         | 23,932              | 11,539              |
| Due from Group Insurance Trust              | 1,600               | -                   |
| Prepaid expenses                            | 65,048              | 56,685              |
| Total current assets                        | 3,191,259           | 3,160,604           |
| <b>Noncurrent Assets</b>                    |                     |                     |
| Property and equipment, net                 | 24,262              | 38,949              |
| Total noncurrent assets                     | 24,262              | 38,949              |
| Total assets                                | <b>\$ 3,215,521</b> | <b>\$ 3,199,553</b> |
| <b>Liabilities and Net Assets</b>           |                     |                     |
| Current liabilities                         |                     |                     |
| Accounts payable and accrued expenses       | \$ 43,523           | \$ 57,844           |
| Unearned revenue                            | 1,135,782           | 1,349,109           |
| Total current liabilities                   | 1,179,305           | 1,406,953           |
| Total liabilities                           | 1,179,305           | 1,406,953           |
| Net assets                                  |                     |                     |
| Net assets without donor restrictions       |                     |                     |
| Undesignated                                | 1,347,957           | 1,090,719           |
| Designated for scholarships                 | 299,453             | 323,971             |
| Total net assets without donor restrictions | 1,647,410           | 1,414,690           |
| Net assets with donor restrictions          | 388,806             | 377,910             |
| Total net assets                            | 2,036,216           | 1,792,600           |
| Total liabilities and net assets            | <b>\$ 3,215,521</b> | <b>\$ 3,199,553</b> |

*See accompanying notes.*

SOUTH CAROLINA ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS, INC.  
AND RELATED ENTITIES

COMBINED STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2020 AND 2019

|   | <b>June 30,</b> |              |
|---|-----------------|--------------|
|   | <b>2020</b>     | <b>2019</b>  |
| <b>Net Assets Without Donor Restrictions</b>    |                 |              |
| Support, revenue, and gains                     |                 |              |
| Membership                                      | \$ 1,166,309    | \$ 1,359,036 |
| Registration and conference fees                | 751,486         | 1,101,759    |
| Interest and dividends                          | 23,670          | 27,683       |
| Net appreciation (depreciation) in investments  | (2,448)         | 33,910       |
| Advertising                                     | 17,940          | 16,123       |
| Product sales                                   | 36,269          | 31,839       |
| Affinity/Exclusive partner membership           | 44,127          | 47,800       |
| Marketing consulting fees                       | 11,252          | 8,178        |
| Student Pipeline Project                        | 1,554           | 6,265        |
| Contributions                                   | 24,537          | 26,625       |
| Chapter social events                           | 15,219          | 40,448       |
| Other   | 10,852          | 15,677       |
| Net assets released from restrictions           | 53,298          | 17,551       |
| Total support, revenue, and gains               | 2,154,065       | 2,732,894    |
| Expenses and losses                             |                 |              |
| Program services:                               |                 |              |
| Educate   | 795,637         | 1,276,987    |
| Connect   | 207,874         | 443,471      |
| Grow  | 129,856         | 124,507      |
| Communicate                                     | 505,755         | 808,807      |
| Advocate  | 173,949         | 173,885      |
| General and administrative                      | 108,274         | 151,960      |
| Total expenses and losses                       | 1,921,345       | 2,979,617    |
| Change in net assets without donor restrictions | 232,720         | (246,723)    |
| <b>Net Assets With Donor Restrictions</b>       |                 |              |
| Support, revenue, and gains                     |                 |              |
| Interest and dividends                          | 4,235           | 4,780        |
| Net appreciation in investments                 | 5,812           | 10,034       |
| Contributions to PAC                            | 37,472          | 43,558       |
| Contributions to Educational Fund               | 16,675          | 23,750       |
| Assets released from restrictions               | (53,298)        | (17,551)     |
| Total support, revenue, and gains               | 10,896          | 64,571       |
| Change in net assets with donor restrictions    | 10,896          | 64,571       |
| Total changes in net assets                     | 243,616         | (182,152)    |
| Net assets, beginning of year, as restated      | 1,792,600       | 1,974,752    |
| Net assets, end of year                         | \$ 2,036,216    | \$ 1,792,600 |

*See accompanying notes.*

SOUTH CAROLINA ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS, INC.  
AND RELATED ENTITIES

COMBINED STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2020

|                                  | <b>Program Services</b> |                   |                   |                    |                   | <b>Total<br/>Program Services</b> | <b>General and<br/>Administrative</b> | <b>Total</b>        |
|----------------------------------|-------------------------|-------------------|-------------------|--------------------|-------------------|-----------------------------------|---------------------------------------|---------------------|
|                                  | <b>Educate</b>          | <b>Connect</b>    | <b>Grow</b>       | <b>Communicate</b> | <b>Advocate</b>   |                                   |                                       |                     |
| Conferences                      | \$ 121,029              | \$ -              | \$ -              | \$ -               | \$ -              | \$ 121,029                        | \$ -                                  | \$ 121,029          |
| Seminars and livestream          | 214,494                 | -                 | -                 | -                  | -                 | 214,494                           | -                                     | 214,494             |
| Self-Study and other             | 29,762                  | -                 | -                 | -                  | -                 | 29,762                            | -                                     | 29,762              |
| Payroll                          | 158,483                 | 76,411            | 41,935            | 183,692            | 39,531            | 500,052                           | 46,550                                | 546,602             |
| Member services and development  | -                       | 24,700            | 243               | 42,248             | 3,000             | 70,191                            | -                                     | 70,191              |
| Office lease                     | 30,586                  | 14,652            | 7,755             | 35,332             | 6,897             | 95,222                            | 8,179                                 | 103,401             |
| Professional fees                | 44,818                  | 571               | 302               | 59,003             | 54,581            | 159,275                           | 18,240                                | 177,515             |
| Information technology           | 29,085                  | 13,933            | 7,374             | 33,598             | 6,558             | 90,548                            | 7,928                                 | 98,476              |
| Employee insurance               | 23,915                  | 11,460            | 6,066             | 27,636             | 5,394             | 74,471                            | 6,156                                 | 80,627              |
| Payroll taxes                    | 5,078                   | 2,434             | 1,288             | 4,868              | 1,146             | 14,814                            | 2,360                                 | 17,174              |
| Personnel expenses - other       | 17,508                  | 3,310             | 1,752             | 8,051              | 1,558             | 32,179                            | 1,850                                 | 34,029              |
| Merchant and bank fees           | 11,887                  | 5,694             | 3,014             | 13,731             | 2,680             | 37,006                            | 3,179                                 | 40,185              |
| Depreciation                     | 4,255                   | 2,038             | 1,079             | 4,915              | 959               | 13,246                            | 1,938                                 | 15,184              |
| Printing                         | 13,451                  | 3,844             | 2,035             | 17,590             | 1,809             | 38,729                            | 2,304                                 | 41,033              |
| Office supplies                  | 4,482                   | 5,351             | 1,116             | 5,084              | 1,248             | 17,281                            | 1,292                                 | 18,573              |
| Board activities                 | -                       | 1,390             | -                 | 19,179             | -                 | 20,569                            | -                                     | 20,569              |
| Professional development - staff | 3,621                   | 1,734             | 918               | 4,182              | 816               | 11,271                            | 1,354                                 | 12,625              |
| Postage                          | 5,019                   | 735               | 417               | 13,838             | 702               | 20,711                            | 1,235                                 | 21,946              |
| Telephone                        | 3,388                   | 1,623             | 859               | 3,914              | 764               | 10,548                            | 906                                   | 11,454              |
| Business insurance               | 2,890                   | 1,385             | 733               | 3,339              | 652               | 8,999                             | 773                                   | 9,772               |
| Retirement                       | 5,109                   | 2,448             | 1,296             | 5,903              | 1,152             | 15,908                            | 1,368                                 | 17,276              |
| Delegate expenses                | -                       | -                 | -                 | 7,971              | -                 | 7,971                             | -                                     | 7,971               |
| Equipment and storage rental     | 3,105                   | 1,487             | 787               | 3,587              | 700               | 9,666                             | 951                                   | 10,617              |
| Local travel                     | 59,834                  | 466               | 246               | 1,123              | 444               | 62,113                            | 393                                   | 62,506              |
| Dues and subscriptions           | 2,127                   | 4,908             | 540               | 2,458              | 5,709             | 15,742                            | 1,044                                 | 16,786              |
| Student Pipeline Project         | -                       | -                 | 5,667             | -                  | -                 | 5,667                             | -                                     | 5,667               |
| Committee activities             | -                       | 5,080             | -                 | 2,536              | 13                | 7,629                             | -                                     | 7,629               |
| Property taxes                   | 445                     | 213               | 113               | 514                | 100               | 1,385                             | 119                                   | 1,504               |
| Retirement administration fee    | 1,266                   | 607               | 321               | 1,463              | 286               | 3,943                             | 155                                   | 4,098               |
| Scholarships - educational fund  | -                       | -                 | 44,000            | -                  | -                 | 44,000                            | -                                     | 44,000              |
| Contributions - chapters         | -                       | 15,500            | -                 | -                  | -                 | 15,500                            | -                                     | 15,500              |
| Contributions                    | -                       | 5,900             | -                 | -                  | 37,250            | 43,150                            | -                                     | 43,150              |
|                                  | <u>\$ 795,637</u>       | <u>\$ 207,874</u> | <u>\$ 129,856</u> | <u>\$ 505,755</u>  | <u>\$ 173,949</u> | <u>\$ 1,813,071</u>               | <u>\$ 108,274</u>                     | <u>\$ 1,921,345</u> |

See accompanying notes.

SOUTH CAROLINA ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS, INC.  
AND RELATED ENTITIES

COMBINED STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2019

|                                     | Program Services    |                   |                   |                   |                   | Total<br>Program Services | General and<br>Administrative | Total               |
|-------------------------------------|---------------------|-------------------|-------------------|-------------------|-------------------|---------------------------|-------------------------------|---------------------|
|                                     | Educate             | Connect           | Grow              | Communicate       | Advocate          |                           |                               |                     |
| Conferences                         | \$ 212,966          | \$ 1,897          | \$ -              | \$ -              | \$ -              | \$ 214,863                | \$ -                          | \$ 214,863          |
| Seminars and livestream             | 735,459             | -                 | -                 | -                 | -                 | 735,459                   | -                             | 735,459             |
| Self-Study and other                | 27,646              | -                 | -                 | -                 | -                 | 27,646                    | -                             | 27,646              |
| Payroll                             | 101,164             | 50,930            | 45,571            | 328,905           | 47,048            | 573,618                   | 82,559                        | 656,177             |
| Member services and development     | 3,000               | 42,748            | 145               | 69,792            | 500               | 116,185                   | -                             | 116,185             |
| Office lease                        | 16,528              | 9,827             | 4,373             | 56,375            | 4,913             | 92,016                    | 6,249                         | 98,265              |
| Professional fees                   | 22,308              | 1,702             | 1,246             | 52,432            | 82,475            | 160,163                   | 15,211                        | 175,374             |
| Information technology              | 12,143              | 7,219             | 3,213             | 41,418            | 3,610             | 67,603                    | 4,904                         | 72,507              |
| Employee insurance                  | 12,370              | 6,230             | 5,524             | 40,354            | 5,860             | 70,338                    | 10,323                        | 80,661              |
| Payroll taxes                       | 7,542               | 3,791             | 3,406             | 24,563            | 3,488             | 42,790                    | 6,036                         | 48,826              |
| Personnel expenses - other          | 2,807               | 1,309             | 1,185             | 9,120             | 1,237             | 15,658                    | 2,080                         | 17,738              |
| Merchant and bank fees              | 9,574               | 5,692             | 2,533             | 32,655            | 2,846             | 53,300                    | 4,965                         | 58,265              |
| Depreciation                        | 8,916               | 5,300             | 2,359             | 30,412            | 2,650             | 49,637                    | 4,349                         | 53,986              |
| Printing                            | 4,329               | 1,837             | 815               | 21,013            | 912               | 28,906                    | 1,479                         | 30,385              |
| Office supplies                     | 3,642               | 3,415             | 824               | 12,055            | 926               | 20,862                    | 1,177                         | 22,039              |
| Board activities                    | -                   | 2,082             | -                 | 18,517            | -                 | 20,599                    | -                             | 20,599              |
| Professional development - staff    | 3,073               | 1,354             | 603               | 8,679             | 2,113             | 15,822                    | 1,106                         | 16,928              |
| Postage                             | 884                 | 477               | 277               | 11,501            | 255               | 13,394                    | 600                           | 13,994              |
| Telephone                           | 2,183               | 1,240             | 552               | 7,116             | 620               | 11,711                    | 789                           | 12,500              |
| Business insurance                  | 1,919               | 1,141             | 508               | 6,544             | 570               | 10,682                    | 626                           | 11,308              |
| Retirement                          | 2,998               | 1,531             | 1,359             | 10,089            | 1,417             | 17,394                    | 2,503                         | 19,897              |
| Delegate expenses                   | -                   | -                 | -                 | 8,799             | -                 | 8,799                     | -                             | 8,799               |
| Equipment and storage rental        | 1,599               | 950               | 423               | 5,453             | 475               | 8,900                     | 726                           | 9,626               |
| Local travel                        | 81,846              | 462               | 309               | 2,703             | 1,469             | 86,789                    | 253                           | 87,042              |
| Dues and subscriptions              | 992                 | 6,163             | 559               | 4,310             | 5,290             | 17,314                    | 1,183                         | 18,497              |
| Student Pipeline Project            | -                   | -                 | 10,276            | -                 | -                 | 10,276                    | -                             | 10,276              |
| Committee activities                | -                   | -                 | -                 | 2,661             | -                 | 2,661                     | -                             | 2,661               |
| Property taxes                      | 257                 | 153               | 68                | 878               | 77                | 1,433                     | 97                            | 1,530               |
| Other expenses                      | -                   | -                 | -                 | -                 | -                 | -                         | 3,392                         | 3,392               |
| Repairs and maintenance - equipment | -                   | -                 | -                 | -                 | -                 | -                         | 738                           | 738                 |
| Retirement administration fee       | 842                 | 388               | 379               | 2,463             | 384               | 4,456                     | 615                           | 5,071               |
| Scholarships - educational fund     | -                   | -                 | 38,000            | -                 | -                 | 38,000                    | -                             | 38,000              |
| Scholarships- chapters              | -                   | 285,633           | -                 | -                 | -                 | 285,633                   | -                             | 285,633             |
| Contributions                       | -                   | -                 | -                 | -                 | 4,750             | 4,750                     | -                             | 4,750               |
|                                     | <u>\$ 1,276,987</u> | <u>\$ 443,471</u> | <u>\$ 124,507</u> | <u>\$ 808,807</u> | <u>\$ 173,885</u> | <u>\$ 2,827,657</u>       | <u>\$ 151,960</u>             | <u>\$ 2,979,617</u> |

See accompanying notes.



SOUTH CAROLINA ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS, INC.  
AND RELATED ENTITIES

COMBINED STATEMENT OF CASH FLOWS

YEARS ENDED JUNE 30, 2020 AND 2019

|  | 2020         | 2019         |
|--|--------------|--------------|
| <b>Cash flows from operating activities</b>  |              |              |
| Change in net assets   | \$ 243,616   | \$ (182,152) |
| Adjustments to reconcile the change in net assets<br>to net cash provided by operating activities: |              |              |
| Depreciation   | 15,184       | 53,986       |
| Contributions restricted for endowment   | (16,675)     | (23,750)     |
| Net realized and unrealized gains on investments   | (3,364)      | (43,944)     |
| Changes in deferred and accrued amounts:   |              |              |
| Accounts receivable  | (12,393)     | 12,203       |
| Due from Group Insurance Trust   | (1,600)      | -            |
| Prepaid expenses   | (8,363)      | (4,728)      |
| Accounts payable and accrued expenses  | (14,321)     | (84,064)     |
| Unearned revenue   | (213,327)    | 162,912      |
| Net cash used in operating activities  | (11,243)     | (109,537)    |
| <br><b>Cash flows from investing activities</b>  |              |              |
| Purchases of investments   | (503,104)    | (408,139)    |
| Proceeds from sales of investments   | 475,073      | 376,194      |
| Purchases of property and equipment  | -            | (2,627)      |
| Net cash used in investing activities  | (28,031)     | (34,572)     |
| <br><b>Cash flows from financing activities</b>  |              |              |
| Proceeds from contributions restricted for endowment   | 16,675       | 23,750       |
| Net cash provided by financing activities  | 16,675       | 23,750       |
| <br>Net decrease in cash and cash equivalents  | (22,599)     | (120,359)    |
| Cash and cash equivalents, beginning of year   | 1,385,709    | 1,506,068    |
| Cash and cash equivalents, end of year   | \$ 1,363,110 | \$ 1,385,709 |

*See accompanying notes.*

SOUTH CAROLINA ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS, INC.  
AND RELATED ENTITIES

NOTES TO COMBINED FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

**1. General**

The combined financial statements include the accounts of the South Carolina Association of Certified Public Accountants, Inc. (the “SCACPA”), its eight separate chapters, 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”.

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 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 nonpartisan, 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 members selected from SCACPA membership who serve for five-year terms.

**2. Summary of Significant Accounting Policies**

Basis of Accounting

The financial statements of the Association have been 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 and initiation 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. 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.

SOUTH CAROLINA ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS, INC.  
AND RELATED ENTITIES

NOTES TO COMBINED FINANCIAL STATEMENTS

-CONTINUED-

**2. Summary of Significant Accounting Policies (continued)**

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.

Basis of Presentation

The Association prepares its financial statements in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, Financial Statements for Not-for-Profit Organizations. Under ASC 958, the Association is required to report information regarding financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. The classes are defined as follows:

*Net assets without donor restrictions:* Net assets that are available for use in general operations, including board-designated unrestricted.

*Net assets with donor restrictions:* Net assets that are subject to donor-imposed restrictions that may or will be met either by actions of the Association or the passage of time. This also includes net assets that are subject to donor-imposed stipulations that must be maintained permanently by the Association. Net assets that must be permanently maintained may be invested to provide a permanent source of income for the Association.

Use of Estimates

The preparation of the financial statements in conformity with the US GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets, 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 those estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits and money market. The Association considers all highly liquid instruments with an original maturity of three months or less to be cash equivalents.

SOUTH CAROLINA ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS, INC.  
AND RELATED ENTITIES

NOTES TO COMBINED FINANCIAL STATEMENTS

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**2. Summary of Significant Accounting Policies (continued)**

Concentrations of Credit Risk

The Association places its cash and cash equivalents with financial institutions that it believes to be of high quality. Cash and cash equivalents consisted of the following as of June 30, 2020 and 2019:

|                  | 2020                | 2019                |
|------------------|---------------------|---------------------|
| SCACPA           | \$ 1,216,582        | \$ 1,227,627        |
| Educational fund | 81,071              | 88,592              |
| PAC              | 65,457              | 69,490              |
|                  | <u>\$ 1,363,110</u> | <u>\$ 1,385,709</u> |

The Association has not experienced any losses on its cash and cash equivalents.

Property and equipment

Property and equipment purchases, including the costs necessary to prepare the asset for its intended use, are recorded at cost or fair market value at the date of donation in the case of donated property, less allowances for depreciation. Assets are capitalized if the value at acquisition exceeds \$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.

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.

SOUTH CAROLINA ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS, INC.  
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NOTES TO COMBINED FINANCIAL STATEMENTS

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**2. Summary of Significant Accounting Policies (continued)**

Contributions to the Educational Fund's endowment (the "Endowment") are allocated to Net Assets with Donor Restrictions, and Net Assets without Donor Restrictions - Board Designated 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 Net Assets with Donor Restrictions and Net Assets without Donor Restrictions, as applicable.

Unearned Revenue

Unearned revenue consists of the Association's membership dues, continuing professional education fees, and conference fees collected in advance of services provided by the Association.

Advertising

The Association expenses advertising costs as they are incurred. Advertising expense for the years ended June 30, 2020 and 2019 were \$0 and \$6,982, respectively.

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.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Combined Statements of Activities and Combined Statements of Functional Expenses. Certain shared costs have been allocated among the programs and supporting services benefited.

Income Taxes

The Association and local chapters are tax-exempt under Section 501(c)(6) of the Internal Revenue Code, ("IRC"), the Educational Fund and PAC are tax-exempt under Sections 501(c)(3) and Section 527, respectively, of the IRC. 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 IRC.

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 be substantiated upon examination by the Internal Revenue Service ("IRS").

SOUTH CAROLINA ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS, INC.  
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NOTES TO COMBINED FINANCIAL STATEMENTS

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**2. Summary of Significant Accounting Policies (continued)**

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, local chapters, PAC and the Educational Fund file IRS Form 990 annually with the IRS. The Association's federal returns have determined that such income tax position does not result in an uncertainty requiring recognition in the consolidated financial statements. Management believes it is no longer subject to tax examinations for fiscal years prior to 2017.

Reclassifications

Certain items have been reclassified from prior year amounts to conform to the current year presentation.

Recently Issued Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, Leases. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the statement of financial position at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the statement of activities. This standard will be effective for annual reporting periods after December 15, 2021. The Association is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2018-08 Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958). The amendments in the ASU clarify and improve current guidance about whether a transfer of assets (or the reduction, settlement, or cancellation of liabilities) is a contribution or an exchange transaction. The ASU also clarifies how an entity determines whether a resource provider is participating in an exchange transaction by evaluating whether the resource provider is receiving commensurate value in return for the resources transferred. The amendments in this ASU also require that an entity determine whether a contribution is conditional on the basis of whether an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. The Association adopted the new standard effective July 1, 2019, the first day of the Association's fiscal year, using the modified prospective basis. Analysis of various provisions of this standard resulted in no significant changes in the way the Association recognizes contribution.

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NOTES TO COMBINED FINANCIAL STATEMENTS

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**3. Liquidity and Availability**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

|                           | Total        | Funds with<br>Donor<br>Restrictions | Funds with<br>Board<br>Designations | Net          |
|---------------------------|--------------|-------------------------------------|-------------------------------------|--------------|
| Cash and cash equivalents | \$ 1,363,110 | \$ (65,457)                         | \$ -                                | \$ 1,297,653 |
| Investments               | 1,737,569    | (320,850)                           | (299,453)                           | 1,117,266    |
| Accounts receivable       | 23,932       | -                                   | -                                   | 23,932       |
|                           | \$ 3,124,611 | \$ (386,307)                        | \$ (299,453)                        | \$ 2,438,851 |

**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. When quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques.

Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. In that regard, the derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases could not be realized in immediate settlement of the instrument.

The following levels of input for measurement of fair value have been defined to assist the user in evaluating the fair value disclosure information:

|         |  |
|---------|--|
| Level 1 | Quoted prices in an active market for identical assets or liabilities.   |
| Level 2 | Other quoted prices in active markets for similar assets or liabilities, quoted prices for identical assets or liabilities in markets that are not active for transactions or availability of information, other observable sources of information, and information derived principally from or corroborated from observable sources of information. |
| Level 3 | Unobservable sources of information, primarily management's assumptions about potential market participants.   |

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**4. Fair Value of Financial Instruments (continued)**

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, 2020 and 2019:

*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.

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.

The following table sets forth by level, within the fair value hierarchy, the Association's assets at fair value as of June 30, 2020 and 2019:

|                       | Fair Value Measurements at June 30, 2020 |         |         |              |
|-----------------------|--|---------|---------|--------------|
|                       | Level 1                                  | Level 2 | Level 3 | Total        |
| Money market funds    | \$ 315,705                               | \$ -    | \$ -    | \$ 315,705   |
| Exchange traded funds | 1,241,204                                | -       | -       | 1,241,204    |
| Mutual funds          | 180,660                                  | -       | -       | 180,660      |
|                       | \$ 1,737,569                             | \$ -    | \$ -    | \$ 1,737,569 |



SOUTH CAROLINA ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS, INC.  
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NOTES TO COMBINED FINANCIAL STATEMENTS

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**4. Fair Value of Financial Instruments (continued)**

|                       | Fair Value Measurements at June 30, 2019 |         |         |              |
|-----------------------|--|---------|---------|--------------|
|                       | Level 1                                  | Level 2 | Level 3 | Total        |
| Money market funds    | \$ 294,129                               | \$ -    | \$ -    | \$ 294,129   |
| Exchange traded funds | 1,227,194                                | -       | -       | 1,227,194    |
| Mutual funds          | 185,348                                  | -       | -       | 185,348      |
|                       | \$ 1,706,671                             | \$ -    | \$ -    | \$ 1,706,671 |

**5. Investments**

Investments consisted of the following at June 30, 2020:

|                       | Cost         | Gross<br>Unrealized<br>Gains | Gross<br>Unrealized<br>Losses | Fair<br>Value |
|-----------------------|--------------|------------------------------|-------------------------------|---------------|
| Money Market Funds    | \$ 315,705   | \$ -                         | \$ -                          | \$ 315,705    |
| Exchange traded funds | 1,090,709    | 150,495                      | -                             | 1,241,204     |
| Mutual Funds          | 181,722      | -                            | (1,062)                       | 180,660       |
|                       | \$ 1,588,136 | \$ 150,495                   | \$ (1,062)                    | \$ 1,737,569  |

Investments consisted of the following at June 30, 2019:

|                       | Cost         | Gross<br>Unrealized<br>Gains | Gross<br>Unrealized<br>Losses | Fair<br>Value |
|-----------------------|--------------|------------------------------|-------------------------------|---------------|
| Money Market Funds    | \$ 294,129   | \$ -                         | \$ -                          | \$ 294,129    |
| Exchange traded funds | 1,067,192    | 160,002                      | -                             | 1,227,194     |
| Mutual Funds          | 181,641      | 3,707                        | -                             | 185,348       |
|                       | \$ 1,542,962 | \$ 163,709                   | \$ -                          | \$ 1,706,671  |

SOUTH CAROLINA ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS, INC.  
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NOTES TO COMBINED FINANCIAL STATEMENTS

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**5. Investments (continued)**

Investments with a fair value at June 30, 2020 and 2019, of \$826,065 and \$797,561, respectively and original cost at June 30, 2020 and 2019, of \$787,553 and \$757,796, respectively, are assets of the Educational Fund, some of which are held in perpetuity. The amount stipulated by the donor to be retained in perpetuity as it relates to these investments is reflected in Note 7.

Sales of investments in the Educational Fund for the year ended June 30, 2020, resulted in proceeds of \$475,073 and \$16,917 in gross realized gains.

Sales of investments in the Educational Fund for the year ended June 30, 2019, resulted in proceeds of \$376,194 and \$25,629 in gross realized gains.

**6. Property and Equipment**

Property and equipment consisted of the following at June 30, 2020 and 2019:

|                               | <u>2020</u>      | <u>2019</u>      |
|-------------------------------|------------------|------------------|
| Building and improvements     | \$ 69,800        | \$ 69,800        |
| Furniture and equipment       | 183,474          | 269,634          |
|                               | <u>253,274</u>   | <u>339,434</u>   |
| Less accumulated depreciation | (229,012)        | (300,485)        |
|                               | <u>\$ 24,262</u> | <u>\$ 38,949</u> |

Depreciation expense for the year ended June 30, 2020 and 2019, was \$15,184 and \$53,986, respectively.

SOUTH CAROLINA ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS, INC.  
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**7. Net Assets with Restrictions**

The following net assets without donor restrictions represent named scholarships whereby the limitations are imposed by the Association's Board of Directors:

|   | <u>June 30, 2020</u> | <u>June 30, 2019</u> |
|---|----------------------|----------------------|
| Designated for endowed scholarships:        |                      |                      |
| Central chapter scholarship                 | \$ 98,111            | \$ 102,455           |
| Edgar Vaughn scholarship                    | 9,694                | 10,125               |
| Frances Humphries scholarship               | 9,540                | 10,000               |
| Joe Jackson scholarship                     | 58,587               | 61,273               |
| Kaye Carter scholarship                     | 13,710               | 17,279               |
| Past President's scholarship                | 35,956               | 36,331               |
| Piedmont chapter scholarship                | 47,839               | 49,342               |
| SCACPA Graduate Student scholarship         | 13,394               | 24,438               |
| Sea Island chapter scholarship              | 12,622               | 12,728               |
| Total designated for endowed scholarships   | <u>299,453</u>       | <u>323,971</u>       |
| Undesignated - endowed scholarships         | 291,585              | 254,761              |
| Undesignated - non-endowed                  | 1,056,372            | 835,958              |
| Total undesignated                          | <u>1,347,957</u>     | <u>1,090,719</u>     |
| Total net assets without donor restrictions | <u>\$ 1,647,410</u>  | <u>\$ 1,414,690</u>  |

SOUTH CAROLINA ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS, INC.  
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NOTES TO COMBINED FINANCIAL STATEMENTS

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**7. Net Assets with Restrictions (continued)**

Net assets with donor restrictions are restricted for the following purposes:

|   | June 30, 2020 | June 30, 2019 |
|---|---------------|---------------|
| Donor restricted net assets by purpose or time: |               |               |
| Endowed scholarships:                           |               |               |
| Burch, Oxner, Seale scholarship                 | \$ 9,540      | \$ 10,000     |
| Burkett, Burkett & Burkett scholarship          | 13,651        | 13,724        |
| Carlisle Moore Accounting scholarship           | 9,789         | 10,000        |
| CC McGregor scholarship                         | 10,769        | 10,932        |
| The Hobbs Group scholarship                     | 9,540         | 10,000        |
| John S. Herin scholarship                       | 119,388       | 104,078       |
| H. McRoy and Jo Skipper Memorial scholarship    | 11,145        | 11,296        |
| Robinson, Grant & Company scholarship           | 10,056        | 10,000        |
| Sheheen, Hancock & Goodwin scholarship          | 9,540         | 10,000        |
| WebsterRogers & Company scholarship             | 9,540         | 10,000        |
| Brigman, Holcomb, Weeks scholarship             | 310           | 464           |
| Lollie B. Harper scholarship                    | 516           | 847           |
| Ray Waters scholarship                          | 59            | 749           |
| PAC contributions                               | 67,956        | 70,490        |
| Total net assets restricted by purpose or time  | 281,799       | 272,580       |
| Donor restricted net assets held in perpetuity: |               |               |
| Endowed scholarships:                           |               |               |
| Next 100 Years scholarship                      | 50,437        | 48,860        |
| Brigman, Holcomb, Weeks scholarship             | 10,751        | 10,751        |
| Lollie B. Harper scholarship                    | 20,719        | 20,619        |
| Ray Waters scholarship                          | 25,100        | 25,100        |
| Total net assets held in perpetuity             | 107,007       | 105,330       |
| Total net assets with donor restrictions        | \$ 388,806    | \$ 377,910    |

SOUTH CAROLINA ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS, INC.  
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**7. Net Assets with Restrictions (continued)**

Net assets were released from donor restrictions by incurring expenses, satisfying the restricted purposes, or by occurrence of other events specified by donors as follows:

|                   | <u>June 30, 2020</u> | <u>June 30, 2019</u> |
|-------------------|----------------------|----------------------|
| Scholarships      | \$ 13,292            | \$ 9,379             |
| PAC expenses paid | 40,006               | 8,172                |
|                   | <u>\$ 53,298</u>     | <u>\$ 17,551</u>     |

**8. Endowments**

The Association's Endowment Fund was established for educational (scholarship) purposes. It includes contributions with donor-imposed restrictions for 14 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 restricted net assets held in perpetuity (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 restricted net assets held in perpetuity is classified as restricted net assets not held in perpetuity until those amounts are appropriated for expenditure by the Association in a manner consistent with the standard of prudence prescribed by SCUPMIFA.

SOUTH CAROLINA ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS, INC.  
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**8. Endowments (continued)**

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.

Endowment net asset composition by type of fund as of June 30, 2020 is as follows:

|   | <u>Net Assets Without<br/>Donor Restrictions</u> | <u>Net Assets With<br/>Donor Restrictions</u> | <u>Total</u>         |
|---|--|---|----------------------|
| Donor restricted endowment                        | \$ -   | \$ 320,850                                    | \$ 320,850           |
| Board designated endowment                        | 299,453  | -   | 299,453              |
| Other unrestricted endowment                      | 291,585  | -   | 291,585              |
| Total endowment net assets                        | <u>591,038</u>                                   | <u>320,850</u>                                | <u>911,888</u>       |
| <br>Other net assets not included<br>in endowment | <br><u>1,056,372</u>                             | <br><u>67,956</u>                             | <br><u>1,124,328</u> |
| Total net assets                                  | <u>\$ 1,647,410</u>                              | <u>\$ 388,806</u>                             | <u>\$ 2,036,216</u>  |

SOUTH CAROLINA ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS, INC.  
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**8. Endowments (continued)**

Changes in endowment net assets for the year ended June 30, 2020 are as follows:

|   | <u>Net Assets Without<br/>Donor Restrictions</u> | <u>Net Assets With<br/>Donor Restrictions</u> | <u>Total</u>      |
|---|--|---|-------------------|
| Endowment net assets, beginning of year             | \$ 578,733                                       | \$ 307,420                                    | \$ 886,153        |
| Investment income, net of fees                      | 7,814  | 4,235   | 12,049            |
| Net appreciation (realized and unrealized)          | 10,662   | 5,812   | 16,474            |
| Contributions                                       | 24,537   | 16,675  | 41,212            |
| Released from restriction                           | 13,292   | (13,292)                                      | -                 |
| Appropriation of endowment assets for expenditures: |  |   |                   |
| Scholarships  | (44,000)   | -   | (44,000)          |
| Other expenses                                      | -  | -   | -                 |
| Other income  | -  | -   | -                 |
| Total net assets                                    | <u>\$ 591,038</u>                                | <u>\$ 320,850</u>                             | <u>\$ 911,888</u> |

Endowment net asset composition by type of fund as of June 30, 2019 is as follows:

|  | <u>Net Assets Without<br/>Donor Restrictions</u> | <u>Net Assets With<br/>Donor Restrictions</u> | <u>Total</u>        |
|--|--|---|---------------------|
| Donor restricted endowment                 | \$ -   | \$ 307,420                                    | \$ 307,420          |
| Board designated endowment                 | 323,971  | -   | 323,971             |
| Other unrestricted endowment               | 254,762  | -   | 254,762             |
| Total endowment net assets                 | <u>578,733</u>                                   | <u>307,420</u>                                | <u>886,153</u>      |
| Other net assets not included in endowment | <u>835,957</u>                                   | <u>70,490</u>                                 | <u>906,447</u>      |
| Total net assets                           | <u>\$ 1,414,690</u>                              | <u>\$ 377,910</u>                             | <u>\$ 1,792,600</u> |

SOUTH CAROLINA ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS, INC.  
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**8. Endowments (continued)**

Changes in endowment net assets for the year ended June 30, 2019 are as follows:

|   | <u>Net Assets Without<br/>Donor Restrictions</u> | <u>Net Assets With<br/>Donor Restrictions</u> | <u>Total</u>      |
|---|--|---|-------------------|
| Endowment net assets, beginning of year             | \$ 549,700                                       | \$ 282,517                                    | \$ 832,217        |
| Investment income, net of fees                      | 9,135  | 4,869   | 14,004            |
| Net appreciation (realized and unrealized)          | 18,819   | 10,033  | 28,852            |
| Contributions                                       | 29,124   | 21,250  | 50,374            |
| Released from restriction                           | 9,379  | (9,379)                                       | -                 |
| Appropriation of endowment assets for expenditures: |  |   |                   |
| Scholarships  | (34,303)   | -   | (34,303)          |
| Other expenses                                      | (18,790)   | (3,121)                                       | (21,911)          |
| Other income  | 15,669   | 1,251   | 16,920            |
| Total net assets                                    | <u>\$ 578,733</u>                                | <u>\$ 307,420</u>                             | <u>\$ 886,153</u> |

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. As of June 30, 2020, 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.



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**8. Endowments (continued)**

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 Educational Fund Trustees at least annually.

**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, 2020 and 2019 were \$17,276 and \$19,896, respectively.

**10. Related Party**

During 2020, the SCACPA established the South Carolina Association of Certified Public Accountants Group Insurance Trust (the "Trust"). The Trust is a separate entity that provides group health insurance and other welfare benefits to the employees of its members employers through one or more fully insured policies issued to a trust. As of June 30, 2020, there were 6 SCACPA employees enrolled in the Trust. Premiums paid by SCACPA for the year ended June 30, 2020 were \$82,235.

SOUTH CAROLINA ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS, INC.  
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**11. Operating Leases**

The Association leases office equipment under non-cancellable operating leases requiring monthly payments ranging from \$257 to \$296. 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. During 2020, the Association extended the lease for an additional 3 years ending September 30, 2022. Payments range from \$8,772 to \$9,216 per month. Total rent expense for the years ended June 30, 2020 and 2019 were \$103,399 and \$98,264, respectively.

The minimum lease payments under the terms of the lease agreements are as follows:

| <u>Year Ending June 30,</u> |                   |
|-----------------------------|-------------------|
| 2021                        | \$ 112,407        |
| 2022                        | 113,016           |
| 2023                        | <u>29,451</u>     |
|                             | <u>\$ 254,874</u> |

**12. Restatement**

Management determined that the prior year balances for accounts payable and unearned revenue were incorrectly calculated due to an error in system reports. Management also determined that the useful life used to calculate the annual depreciation for leasehold improvements was incorrect. These discoveries required the Association to restate the beginning net asset balance for SCACPA.

The balances that were affected are as followed:

|  |                     |
|--|---------------------|
| Audited net asset balance as of June 30, 2019                  | \$ 1,764,222        |
| Difference due to accounts payable adjustment                  | (9,722)             |
| Difference due to unearned revenue adjustment                  | 61,836              |
| Difference due to change in leasehold improvement depreciation | <u>(23,736)</u>     |
| Restated net asset balance as of June 30, 2019                 | <u>\$ 1,792,600</u> |

OTHER SUPPLEMENTARY INFORMATION

SOUTH CAROLINA ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS, INC.  
AND RELATED ENTITIES

NOTES TO COMBINED FINANCIAL STATEMENTS

-CONTINUED-

**13. Line of Credit**

In June 2020, the Association executed a \$500,000 revolving line of credit agreement. The interest rate on the advances on the line of credit is 3.25% payable in monthly installments. At June 30, 2020, there was no outstanding balance.

**14. Subsequent Events**

Management of the Association has evaluated subsequent events through October 20, 2020, which represents the date the combined financial statements were available to be issued. In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S. have declared a state of emergency. It is anticipated that these impacts will continue for some time. There has been no immediate impact to the Association's operations. Future potential impacts may include a decline in investment earnings as a result of the economic conditions caused by COVID-19. Additional impacts may include a decrease in contributions received. The future effects of these issues are unknown.

SOUTH CAROLINA ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS, INC.  
AND RELATED ENTITIES

SCHEDULE I - COMBINING SCHEDULES OF FINANCIAL POSITION

AS OF JUNE 30, 2020

|   | SCACPA              | Educational<br>Fund | PAC              | Eliminations        | Total               |
|---|---------------------|---------------------|------------------|---------------------|---------------------|
| <b>Assets</b>                               |                     |                     |                  |                     |                     |
| Current assets                              |                     |                     |                  |                     |                     |
| Cash and cash equivalents                   | \$ 1,216,582        | \$ 81,071           | \$ 65,457        | \$ -                | \$ 1,363,110        |
| Investments                                 | 911,504             | 826,065             | -                | -                   | 1,737,569           |
| Accounts receivable                         | 23,932              | -                   | -                | -                   | 23,932              |
| Due from Group Insurance Trust              | 1,600               | -                   | -                | -                   | 1,600               |
| Prepaid expenses                            | 65,048              | -                   | -                | -                   | 65,048              |
| Due from other funds                        | -                   | 109,498             | -                | (109,498)           | -                   |
| Due from other entities                     | -                   | 15,347              | 12,558           | (27,905)            | -                   |
| Total current assets                        | <u>2,218,666</u>    | <u>1,031,981</u>    | <u>78,015</u>    | <u>(137,403)</u>    | <u>3,191,259</u>    |
| Noncurrent Assets                           |                     |                     |                  |                     |                     |
| Property and equipment, net                 | 24,262              | -                   | -                | -                   | 24,262              |
| Total noncurrent assets                     | <u>24,262</u>       | <u>-</u>            | <u>-</u>         | <u>-</u>            | <u>24,262</u>       |
| Total assets                                | <u>\$ 2,242,928</u> | <u>\$ 1,031,981</u> | <u>\$ 78,015</u> | <u>\$ (137,403)</u> | <u>\$ 3,215,521</u> |
| <b>Liabilities and Net Assets</b>           |                     |                     |                  |                     |                     |
| Current liabilities                         |                     |                     |                  |                     |                     |
| Accounts payable and accrued expenses       | \$ 43,523           | \$ -                | \$ -             | \$ -                | \$ 43,523           |
| Unearned revenue                            | 1,115,128           | 10,595              | 10,059           | -                   | 1,135,782           |
| Due to other funds                          | -                   | 109,498             | -                | (109,498)           | -                   |
| Due to other entities                       | 27,905              | -                   | -                | (27,905)            | -                   |
| Total current liabilities                   | <u>1,186,556</u>    | <u>120,093</u>      | <u>10,059</u>    | <u>(137,403)</u>    | <u>1,179,305</u>    |
| Total liabilities                           | <u>1,186,556</u>    | <u>120,093</u>      | <u>10,059</u>    | <u>(137,403)</u>    | <u>1,179,305</u>    |
| Net assets                                  |                     |                     |                  |                     |                     |
| Net assets without donor restrictions       |                     |                     |                  |                     |                     |
| Undesignated                                | 1,056,372           | 291,585             | -                | -                   | 1,347,957           |
| Designated for scholarships                 | -                   | 299,453             | -                | -                   | 299,453             |
| Total net assets without donor restrictions | <u>1,056,372</u>    | <u>591,038</u>      | <u>-</u>         | <u>-</u>            | <u>1,647,410</u>    |
| Net assets with donor restrictions          | -                   | 320,850             | 67,956           | -                   | 388,806             |
| Total net assets                            | <u>1,056,372</u>    | <u>911,888</u>      | <u>67,956</u>    | <u>-</u>            | <u>2,036,216</u>    |
| Total liabilities and net assets            | <u>\$ 2,242,928</u> | <u>\$ 1,031,981</u> | <u>\$ 78,015</u> | <u>\$ -</u>         | <u>\$ 3,215,521</u> |

*See independent auditors' report.*

SOUTH CAROLINA ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS, INC.  
AND RELATED ENTITIES

SCHEDULE II - COMBINING SCHEDULES OF ACTIVITIES

YEAR ENDED JUNE 30, 2020

|   | SCACPA              | Educational<br>Fund | PAC              | Total               |
|---|---------------------|---------------------|------------------|---------------------|
| <b>Net Assets Without Donor Restrictions</b>    |                     |                     |                  |                     |
| Support, revenue, and gains                     |                     |                     |                  |                     |
| Membership                                      | \$ 1,166,309        | \$ -                | \$ -             | \$ 1,166,309        |
| Registration and conference fees                | 751,486             | -                   | -                | 751,486             |
| Interest and dividends                          | 15,856              | 7,814               | -                | 23,670              |
| Net appreciation (depreciation) in investments  | (13,110)            | 10,662              | -                | (2,448)             |
| Advertising                                     | 17,940              | -                   | -                | 17,940              |
| Product sales                                   | 36,269              | -                   | -                | 36,269              |
| Affinity/Exclusive partner membership           | 44,127              | -                   | -                | 44,127              |
| Marketing consulting fees                       | 11,252              | -                   | -                | 11,252              |
| Student Pipeline Project                        | 1,554               | -                   | -                | 1,554               |
| Contributions                                   | -                   | 24,537              | -                | 24,537              |
| Chapter social events                           | 15,219              | -                   | -                | 15,219              |
| Other   | 10,852              | -                   | -                | 10,852              |
| Net assets released from restrictions           | -                   | 13,292              | 40,006           | 53,298              |
| Total support, revenue, and gains               | <u>2,057,754</u>    | <u>56,305</u>       | <u>40,006</u>    | <u>2,154,065</u>    |
| Expenses and losses                             |                     |                     |                  |                     |
| Program services:                               |                     |                     |                  |                     |
| Educate   | 795,637             | -                   | -                | 795,637             |
| Connect   | 207,874             | -                   | -                | 207,874             |
| Grow  | 85,856              | 44,000              | -                | 129,856             |
| Communicate                                     | 505,755             | -                   | -                | 505,755             |
| Advocate  | 133,943             | -                   | 40,006           | 173,949             |
| General and administrative                      | 108,274             | -                   | -                | 108,274             |
| Total expenses and losses                       | <u>1,837,339</u>    | <u>44,000</u>       | <u>40,006</u>    | <u>1,921,345</u>    |
| Change in net assets without donor restrictions | <u>220,415</u>      | <u>12,305</u>       | <u>-</u>         | <u>232,720</u>      |
| <b>Net Assets With Donor Restrictions</b>       |                     |                     |                  |                     |
| Support, revenue, and gains                     |                     |                     |                  |                     |
| Interest and dividends                          | -                   | 4,235               | -                | 4,235               |
| Net appreciation in investments                 | -                   | 5,812               | -                | 5,812               |
| Contributions to PAC                            | -                   | -                   | 37,472           | 37,472              |
| Contributions to Educational Fund               | -                   | 16,675              | -                | 16,675              |
| Assets released from restrictions               | -                   | (13,292)            | (40,006)         | (53,298)            |
| Total support, revenue, and gains               | <u>-</u>            | <u>13,430</u>       | <u>(2,534)</u>   | <u>10,896</u>       |
| Change in net assets with donor restrictions    | <u>-</u>            | <u>13,430</u>       | <u>(2,534)</u>   | <u>10,896</u>       |
| Change in net assets                            | 220,415             | 25,735              | (2,534)          | 243,616             |
| Net assets, beginning of year, as restated      | 835,957             | 886,153             | 70,490           | 1,792,600           |
| Net assets, end of year                         | <u>\$ 1,056,372</u> | <u>\$ 911,888</u>   | <u>\$ 67,956</u> | <u>\$ 2,036,216</u> |

*See independent auditors' report.*

SOUTH CAROLINA ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS, INC.  
AND RELATED ENTITIES

SCHEDULE III - SCHEDULE OF OFFICERS

FOR THE YEAR ENDED JUNE 30, 2020

**SCACPA**

**Chair**

Zoe M. Davis, CPA  
Mount Pleasant

**Chair Elect**

Kenneth L. Newhouse, CPA  
West Columbia

**Immediate Past Chair**

Dr. Clarence Coleman, Jr., CPA  
Rock Hill

**Secretary/Treasurer**

Lesley H. Kelly, CPA  
Greenville

**Chief Executive Officer**

Christopher D. Jenkins, CAE  
Lexington

**AICPA Elected Council Member**

Timothy L. Baker, CPA  
Aiken

**At-Large Director, Piedmont Chapter**

Harris Darver, CPA  
Greenville

**At-Large Director, Piedmont Chapter**

Graham A. Gage, CPA  
Greenville

**At-Large Director, Coastal Chapter**

Tyler K. Gibbons, CPA  
North Charleston

**At-Large Director, Foothills Chapter**

Michelle S. Gneisig, CPA  
Spartanburg

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

Leslie A. Johnson-Quick, CPA  
Myrtle Beach

**At-Large Director, Catawba Chapter**

David M. Knoble, CPA  
Rock Hill

**At-Large Director, Piedmont Chapter**

Brad Ledford, CPA  
Greenville

**At-Large Director, Central Chapter**

James B. Reese, CPA  
Columbia

**At-Large Director, Central Chapter**

Uvette Pope Rogers, CPA  
Columbia

**At-Large Director, Central Chapter**

Valerie E. Rumbough, CPA  
Chapin

**Educational Fund**

**Chair**

Charles Alvis, CPA  
Mount Pleasant

**Trustee**

Robert F. Berry, CPA  
Lexington

**Trustee**

Allen A. Hodges, CPA  
Greenville

**Trustee**

Luann S. Hundley, CPA  
Rock Hill

**Trustee**

Wendy M. Redmon, CPA  
Greer

**Trustee**

John W. Robinson, Jr., CPA  
Spartanburg

**Staff Liaison**

Jacquelyn M. Curtin, CPA  
Lexington

*See independent auditors' report.*

SOUTH CAROLINA ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS, INC.  
AND RELATED ENTITIES

SCHEDULE IV - SCHEDULE OF REVENUES - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2020

|                                       | <u>Actual *</u>     | <u>Budget *</u>     | <u>Over (Under)</u> |
|---------------------------------------|---------------------|---------------------|---------------------|
| Registration and conference fees      | \$ 751,486          | \$ 799,000          | \$ (47,514)         |
| Membership dues                       | 1,166,309           | 1,219,500           | (53,191)            |
| Chapter social events                 | 10,852              | -                   | 10,852              |
| Other                                 | 15,219              | -                   | 15,219              |
| Affinity/Exclusive partner membership | 44,127              | 75,000              | (30,873)            |
| Net appreciation in investments       | (13,110)            | -                   | (13,110)            |
| Product sales, net                    | 36,269              | -                   | 36,269              |
| Interest and dividends                | 15,856              | 18,000              | (2,144)             |
| Advertising                           | 17,940              | 25,000              | (7,060)             |
| Marketing consulting fees             | 11,252              | 6,000               | 5,252               |
| Student Pipeline Project              | 1,554               | -                   | 1,554               |
|                                       | <u>\$ 2,057,754</u> | <u>\$ 2,142,500</u> | <u>\$ (84,746)</u>  |

\* - The Actual and Budget amounts above do not include revenues from Educational Fund or PAC.

*See independent auditors' report.*



SOUTH CAROLINA ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS, INC.  
AND RELATED ENTITIES

SCHEDULE V - SCHEDULE OF EXPENSES - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2020

|                                     | <u>Actual *</u>     | <u>Budget *</u>     | <u>(Over) Under</u> |
|-------------------------------------|---------------------|---------------------|---------------------|
| Conferences                         | \$ 121,029          | \$ 245,500          | \$ 124,471          |
| Seminars and livestream             | 214,494             | 305,000             | 90,506              |
| Self-Study and other                | 29,762              | 29,500              | (262)               |
| Payroll                             | 546,601             | 678,500             | 131,899             |
| Member services and development     | 70,191              | 25,000              | (45,191)            |
| Office lease                        | 103,399             | 103,500             | 101                 |
| Professional fees                   | 177,515             | 151,500             | (26,015)            |
| Information technology              | 98,476              | 74,500              | (23,976)            |
| Employee insurance                  | 80,627              | 96,500              | 15,873              |
| Payroll taxes                       | 17,174              | 53,500              | 36,326              |
| Personnel expenses - other          | 34,029              | 3,500               | (30,529)            |
| Merchant and bank fees              | 40,185              | 46,000              | 5,815               |
| Depreciation                        | 15,184              | 17,000              | 1,816               |
| Printing                            | 41,034              | 58,500              | 17,466              |
| Office supplies                     | 18,133              | 7,000               | (11,133)            |
| Board activities                    | 20,569              | 36,000              | 15,431              |
| Professional development - staff    | 12,625              | 29,500              | 16,875              |
| Postage                             | 21,945              | 10,000              | (11,945)            |
| Telephone                           | 11,455              | 12,500              | 1,045               |
| Business insurance                  | 9,772               | 9,500               | (272)               |
| Retirement                          | 17,276              | 23,000              | 5,724               |
| Delegate expenses                   | 7,971               | 8,500               | 529                 |
| Equipment and storage rental        | 10,617              | 8,000               | (2,617)             |
| Local travel                        | 62,506              | 3,500               | (59,006)            |
| Dues and subscriptions              | 14,288              | 4,000               | (10,288)            |
| Student pipeline project            | 5,667               | -                   | (5,667)             |
| Committee activities                | 7,629               | 4,000               | (3,629)             |
| Property taxes                      | 1,505               | 2,000               | 495                 |
| Other expenses                      | -                   | 1,500               | 1,500               |
| Repairs and maintenance - equipment | -                   | 2,000               | 2,000               |
| Retirement administration fee       | 4,281               | 3,000               | (1,281)             |
| Donations and Scholarships          | 21,400              | -                   | (21,400)            |
|                                     | <u>\$ 1,837,339</u> | <u>\$ 2,052,000</u> | <u>\$ 214,661</u>   |

\* - The Actual and Budget amounts above do not include expenses from Educational Fund or PAC.

*See independent auditors' report.*

SOUTH CAROLINA ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS, INC.  
AND RELATED ENTITIES

SCHEDULE VI - SCHEDULE OF NAMED SCHOLARSHIPS - EDUCATIONAL FUND

FOR THE YEAR ENDED JUNE 30, 2020

**Board designated named scholarships:**

|  |           |                |
|--|-----------|----------------|
| Central Chapter Scholarship            | \$        | 98,111         |
| Edgar Vaughn Scholarship               |           | 9,694          |
| Frances Humphries Memorial Scholarship |           | 9,540          |
| Joe Jackson Scholarship                |           | 58,587         |
| Kaye Carter Scholarship                |           | 13,710         |
| Past President's Scholarship           |           | 35,956         |
| Piedmont Chapter Scholarship           |           | 47,839         |
| SCACPA Graduate Student Scholarship    |           | 13,394         |
| Sea Island Chapter Scholarship         |           | 12,622         |
|  | <u>\$</u> | <u>299,453</u> |

**Donor Restricted Scholarships**

|  |           |                |
|--|-----------|----------------|
| Birch, Oxner, Seale Scholarship              | \$        | 9,540          |
| Burkett, Burkett, & Burkett Scholarship      |           | 13,651         |
| Carlisle Moore Accounting Scholarship        |           | 9,789          |
| CC McGregor Scholarship                      |           | 10,769         |
| The Hobbs Group Scholarship                  |           | 9,540          |
| John S. Herin Scholarship                    |           | 119,388        |
| H. McRoy and Jo Skipper Memorial Scholarship |           | 11,145         |
| Robinson, Grant & Company Scholarship        |           | 10,056         |
| Sheheen, Hancock & Godwin Scholarship        |           | 9,540          |
| WebsterRogers & Company Scholarship          |           | 9,540          |
| Brigman, Holcomb, Weeks Scholarship          |           | 11,061         |
| Lollie B. Harper Scholarship                 |           | 21,235         |
| Next 100 Years Scholarship                   |           | 50,437         |
| Ray Waters Scholarship                       |           | 25,159         |
|  | <u>\$</u> | <u>320,850</u> |

*See independent auditors' report.*