

**North Carolina Association of
Certified Public Accountants, Inc. and Affiliate**

**Consolidated Financial Statements
(With Supplementary Information)
and Independent Auditor's Report**

April 30, 2018 and 2017

North Carolina Association of Certified Public Accountants, Inc. and Affiliate

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Independent Auditor's Report

To the Board of Directors

North Carolina Association of Certified Public Accountants, Inc. and Affiliate

We have audited the accompanying consolidated financial statements of North Carolina Association of Certified Public Accountants, Inc. and Affiliate, which comprise the consolidated statements of financial position as of April 30, 2018 and 2017, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of North Carolina Association of Certified Public Accountants, Inc. and Affiliate as of April 30, 2018 and 2017, and the consolidated changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information on pages 21 through 24 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the consolidated 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 consolidated financial statements as a whole.



Charlotte, North Carolina
October 24, 2018

North Carolina Association of Certified Public Accountants, Inc. and Affiliate

**Consolidated Statements of Financial Position
April 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 1,149,596	\$ 568,632
Accounts receivable	34,521	60,692
Investments	4,561,787	4,316,754
Prepaid expenses	221,927	191,532
Restricted investments - current	<u>-</u>	<u>173,768</u>
Total current assets	<u>5,967,831</u>	<u>5,311,378</u>
Property and equipment		
Building and improvements	2,210,215	2,201,792
Computers and office equipment	1,172,794	1,083,671
Furniture and fixtures	342,485	356,985
Land	249,563	249,563
Vehicle	<u>56,081</u>	<u>56,081</u>
	4,031,138	3,948,092
Less accumulated depreciation	<u>(2,680,278)</u>	<u>(2,239,289)</u>
	1,350,860	1,708,803
Construction in progress	<u>18,600</u>	<u>630</u>
Total property and equipment	<u>1,369,460</u>	<u>1,709,433</u>
Other long-term assets		
Investments - noncurrent	<u>250,833</u>	<u>221,357</u>
Total other long-term assets	<u>250,833</u>	<u>221,357</u>
Total assets	<u><u>\$ 7,588,124</u></u>	<u><u>\$ 7,242,168</u></u>

North Carolina Association of Certified Public Accountants, Inc. and Affiliate

**Consolidated Statements of Financial Position
April 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
Liabilities		
Current liabilities		
Accounts payable	\$ 176,393	\$ 135,472
Deferred revenue	847,300	737,417
Deferred compensation liability - current portion	-	218,218
Accrued other liabilities	68,051	63,176
Accrued salary and payroll tax liabilities	97,334	96,127
Accrued vacation	75,973	74,631
Accrued retirement	<u>61,225</u>	<u>59,919</u>
Total current liabilities	<u>1,326,276</u>	<u>1,384,960</u>
Total liabilities	<u>1,326,276</u>	<u>1,384,960</u>
Net assets		
Unrestricted net assets	5,944,686	5,574,133
Temporarily restricted	<u>317,162</u>	<u>283,075</u>
Total net assets	<u>6,261,848</u>	<u>5,857,208</u>
Total liabilities and net assets	<u><u>\$ 7,588,124</u></u>	<u><u>\$ 7,242,168</u></u>

See Notes to Consolidated Financial Statements.

North Carolina Association of Certified Public Accountants, Inc. and Affiliate

**Consolidated Statement of Activities and Changes in Net Assets
Year Ended April 30, 2018**

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Total</u>
Revenues and other support			
Professional education	\$ 5,978,679	\$ -	\$ 5,978,679
Membership dues	2,177,038	-	2,177,038
Peer review administration fees	162,005	-	162,005
Advertising, sponsorships, and other income	164,658	-	164,658
Member engagement	40,100	-	40,100
My member community	52,416	-	52,416
Contributions	33,261	34,087	67,348
Investment return	264,095	-	264,095
	<u>8,872,252</u>	<u>34,087</u>	<u>8,906,339</u>
Total revenues and other support	<u>8,872,252</u>	<u>34,087</u>	<u>8,906,339</u>
Expenses			
Program services			
Professional education	4,626,674	-	4,626,674
Communications and member services	1,229,670	-	1,229,670
My member community	173,938	-	173,938
Peer review	235,870	-	235,870
Government relations	98,434	-	98,434
NC CPA Foundation	14,055	-	14,055
	<u>6,378,641</u>	<u>-</u>	<u>6,378,641</u>
Total program services	<u>6,378,641</u>	<u>-</u>	<u>6,378,641</u>
Support services			
Management	2,123,058	-	2,123,058
	<u>2,123,058</u>	<u>-</u>	<u>2,123,058</u>
Total expenses	<u>8,501,699</u>	<u>-</u>	<u>8,501,699</u>
Changes in net assets	370,553	34,087	404,640
Net assets at beginning of year	<u>5,574,133</u>	<u>283,075</u>	<u>5,857,208</u>
Net assets at end of year	<u>\$ 5,944,686</u>	<u>\$ 317,162</u>	<u>\$ 6,261,848</u>

North Carolina Association of Certified Public Accountants, Inc. and Affiliate

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

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Total</u>
Revenues and other support			
Professional education	\$ 5,497,577	\$ -	\$ 5,497,577
Membership dues	2,159,815	-	2,159,815
Peer review administration fees	173,055	-	173,055
Advertising, sponsorships, and other income	183,261	-	183,261
Member engagement	85,420	-	85,420
My member community	55,492	-	55,492
Contributions	-	94,832	94,832
Investment return	339,904	-	339,904
	<u>8,494,524</u>	<u>94,832</u>	<u>8,589,356</u>
Net assets released from restrictions	<u>84,143</u>	<u>(84,143)</u>	<u>-</u>
Total revenues and other support	<u>8,578,667</u>	<u>10,689</u>	<u>8,589,356</u>
Expenses			
Program services			
Professional education	4,667,880	-	4,667,880
Communications and member services	1,244,867	-	1,244,867
My member community	164,025	-	164,025
Peer review	201,819	-	201,819
Government relations	86,055	-	86,055
NC CPA Foundation	138,289	-	138,289
Total program services	6,502,935	-	6,502,935
Support services			
Management	1,994,680	-	1,994,680
Total expenses	<u>8,497,615</u>	<u>-</u>	<u>8,497,615</u>
Changes in net assets	81,052	10,689	91,741
Net assets at beginning of year	<u>5,493,081</u>	<u>272,386</u>	<u>5,765,467</u>
Net assets at end of year	<u><u>\$ 5,574,133</u></u>	<u><u>\$ 283,075</u></u>	<u><u>\$ 5,857,208</u></u>

See Notes to Consolidated Financial Statements.

North Carolina Association of Certified Public Accountants, Inc. and Affiliate

Consolidated Statement of Functional Expenses Year Ended April 30, 2018

	Program Services							Support Services	
	Professional Education	Communications and Member Services	My Member Community	Peer Review	Government Relations	Foundation	Total	Management	Total
Materials, speakers, and site expenses	\$ 3,252,718	\$ -	\$ 57,263	\$ -	\$ -	\$ 1,476	\$ 3,311,457	\$ -	\$ 3,311,457
Personnel expenses	635,458	577,689	57,769	57,769	57,769	-	1,386,454	1,501,990	2,888,444
Printing, postage and emarketing	108,948	81,114	-	1,697	55	300	192,114	5,441	197,555
Depreciation	137,412	109,930	9,161	9,161	4,580	-	270,244	187,796	458,040
Bank and merchant fees	163,194	51,417	-	-	-	379	214,990	8,942	223,932
Peer review expenses	-	-	-	143,530	-	-	143,530	-	143,530
Building expenses	34,965	27,973	2,331	2,331	1,166	-	68,766	47,787	116,553
Technology support	84,212	75,582	22,480	4,827	2,414	-	189,515	126,960	316,475
Staff travel	35,860	24,287	4,266	85	-	-	64,498	50,417	114,915
Professional services	67,975	75,200	2,532	2,532	1,266	11,900	161,405	51,913	213,318
Scholarships and contributions	-	-	-	-	-	-	-	2,258	2,258
Leadership summit	18,134	14,506	1,209	1,209	604	-	35,662	24,781	60,443
Committee expenses	6,775	26,799	12,396	7,684	992	-	54,646	-	54,646
Office equipment rental and repairs	22,933	18,347	1,529	1,529	764	-	45,102	31,342	76,444
Board and officer expenses	19,587	15,671	1,306	1,306	653	-	38,523	26,771	65,294
New CPA Inauguration	-	75,955	-	-	-	-	75,955	-	75,955
Member engagement	-	17,458	-	-	-	-	17,458	-	17,458
Office supplies and expense	9,715	8,251	410	424	106	-	18,906	9,063	27,969
Telecommunications	12,843	10,273	856	856	428	-	25,256	17,550	42,806
Staff training	6,043	11,191	-	500	-	-	17,734	11,940	29,674
Business insurance	5,101	4,081	340	340	170	-	10,032	6,971	17,003
Unrelated business income and proxy tax	-	-	-	-	27,422	-	27,422	-	27,422
Image enhancement	-	-	-	-	-	-	-	10	10
Dues and subscriptions	4,801	3,668	90	90	45	-	8,694	11,126	19,820
Student recruitment	-	278	-	-	-	-	278	-	278
	\$ 4,626,674	\$ 1,229,670	\$ 173,938	\$ 235,870	\$ 98,434	\$ 14,055	\$ 6,378,641	\$ 2,123,058	\$ 8,501,699

North Carolina Association of Certified Public Accountants, Inc. and Affiliate

Consolidated Statement of Functional Expenses Year Ended April 30, 2017

	Program Services							Support Services	
	Professional Education	Communications and Member Services	My Member Community	Peer Review	Government Relations	Foundation	Total	Management	Total
Materials, speakers, and site expenses	\$ 3,337,743	\$ -	\$ 58,435	\$ -	\$ -	\$ 935	\$ 3,397,113	\$ -	\$ 3,397,113
Personnel expenses	660,617	589,207	57,822	57,822	57,822	-	1,423,290	1,467,812	2,891,102
Printing, postage and emarketing	102,901	125,461		3,292	71	157	231,882	6,993	238,875
Depreciation	105,613	77,028	6,698	6,698	3,349	-	199,386	135,517	334,903
Bank and merchant fees	138,063	47,282	-	-	-	54	185,399	3,782	189,181
Peer review expenses	-	-	-	112,011	-	-	112,011	-	112,011
Building expenses	36,881	26,508	2,305	2,305	1,153	-	69,152	46,100	115,252
Technology support	105,481	71,174	21,115	4,514	-	-	202,284	96,004	298,288
Staff travel	40,415	27,675	2,281	40	-	-	70,411	57,478	127,889
Professional services	23,366	16,795	1,460	1,460	730	9,000	52,811	29,210	82,021
Scholarships and contributions	-	-	-	-	-	128,143	128,143	8,228	136,371
Leadership summit	26,518	19,889	1,657	1,657	-	-	49,721	33,149	82,870
Committee expenses	4,039	37,726	8,139	7,536	1,176	-	58,616	-	58,616
Office equipment rental and repairs	14,756	10,606	922	922	461	-	27,667	18,446	46,113
Board and officer expenses	21,977	15,796	1,374	1,374	687	-	41,208	27,470	68,678
New CPA Inauguration	-	81,040	-	-	-	-	81,040	-	81,040
Member engagement	-	10,666	-	-	-	-	10,666	-	10,666
Student leadership institute	-	21,850	-	-	-	-	21,850	-	21,850
Office supplies and expense	10,725	5,617	379	250	107	-	17,078	9,645	26,723
Telecommunications	13,142	9,446	821	821	411	-	24,641	16,428	41,069
Staff training	11,370	8,569		500	-	-	20,439	17,911	38,350
Business insurance	6,294	4,524	393	393	197	-	11,801	7,869	19,670
Unrelated business income and proxy tax	-	-	-	-	19,779	-	19,779	-	19,779
Image enhancement	-	32,556	-	-	-	-	32,556	-	32,556
Dues and subscriptions	6,263	3,550	117	117	58	-	10,105	10,491	20,596
Gain/loss on disposal of equipment	1,716	1,233	107	107	54	-	3,217	2,147	5,364
Student recruitment	-	669	-	-	-	-	669	-	669
	\$ 4,667,880	\$ 1,244,867	\$ 164,025	\$ 201,819	\$ 86,055	\$ 138,289	\$ 6,502,935	\$ 1,994,680	\$ 8,497,615

See Notes to Consolidated Financial Statements.

North Carolina Association of Certified Public Accountants, Inc. and Affiliate

Consolidated Statements of Cash Flows
Years Ended April 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Changes in net assets	\$ 404,640	\$ 91,741
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities		
Depreciation	458,040	334,903
Realized (gain) loss on investments	(1,054)	(95,952)
Unrealized (gain) loss on investments	(135,752)	(167,262)
Loss on disposal of fixed assets	-	5,364
Net changes in assets and liabilities that provided (used) cash		
Accounts receivable	26,171	(28,111)
Prepaid expenses	(30,395)	(19,080)
Restricted investments	144,292	209,290
Accounts payable	17,506	(36,633)
Deferred revenue	109,883	(47,821)
Accrued retirement	1,306	5,725
Accrued salary	1,207	(42,289)
Accrued vacation	1,342	(4,603)
Accrued other liabilities	4,875	(14,502)
Deferred compensation liability	<u>(218,218)</u>	<u>(207,645)</u>
Net cash provided by (used in) operating activities	<u>783,843</u>	<u>(16,875)</u>
Cash flows from investing activities		
Purchases of investments	(123,030)	(4,018,752)
Sales of investments	14,803	3,884,484
Purchases of property and equipment	<u>(94,652)</u>	<u>(402,780)</u>
Net cash provided by (used in) investing activities	<u>(202,879)</u>	<u>(537,048)</u>
Net increase (decrease) in cash and cash equivalents	580,964	(553,923)
Cash and cash equivalents at beginning of year	<u>568,632</u>	<u>1,122,555</u>
Cash and cash equivalents at end of year	<u><u>\$ 1,149,596</u></u>	<u><u>\$ 568,632</u></u>
Noncash investing activities		
Purchases of computer equipment in accounts payable		
Total noncash investing and financing activities	<u><u>\$ 23,415</u></u>	<u><u>\$ -</u></u>
Supplemental disclosures		
Cash paid for proxy tax	<u><u>\$ 27,422</u></u>	<u><u>\$ 14,372</u></u>

See Notes to Financial Statements.

North Carolina Association of Certified Public Accountants, Inc. and Affiliate

Notes to Consolidated Financial Statements April 30, 2018 and 2017

Note 1 - Organization

The North Carolina Association of Certified Public Accountants, Inc. ("Association"), chartered in the State of North Carolina in 1919, is the statewide professional organization for Certified Public Accountants. The Association is headquartered in Morrisville and provides outreach to local areas throughout the state.

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

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

The Association and Foundation are collectively known as the Organization.

Note 2 - Summary of significant accounting policies

Basis of accounting

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

Basis of presentation

The Organization follows Financial Accounting Standards Board ("FASB") ASC 958-205, *Not for Profit Entities - Revenue Recognition*, and FASB ASC 958-605, *Not for Profit Entities - Presentation of Financial Statements*. Under FASB ASC 958-205, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Change in reporting entity

Effective May 1, 2017, the Association assumed control over the Foundation. As a result of this change, the Foundation is included in the consolidation of the Association. For comparative presentation, the Association's April 30, 2017 consolidated statement of financial position and the year ended April 30, 2017 consolidated statements of activities and changes in net assets, functional expenses, and cash flows have been restated.

Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Association and its controlled affiliate, the Foundation. The Foundation is a corporation in which the Association's Board of Directors makes up the entire membership. These entities are included in the consolidation according to generally accepted accounting principles ("GAAP") which require that accounts be consolidated for corporations which are deemed to be controlled by the Association. All intercompany transactions have been eliminated in consolidation.

Contributions

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

North Carolina Association of Certified Public Accountants, Inc. and Affiliate

**Notes to Consolidated Financial Statements
April 30, 2018 and 2017**

Cash and cash equivalents

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

Receivables

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

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

	2018	2017
Trade	\$ 27,708	\$ 37,303
Royalty and other receivables	6,250	22,497
Other receivables	563	892
	<u>\$ 34,521</u>	<u>\$ 60,692</u>

Investments

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

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

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

Property and equipment and construction in progress

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

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

Deferred revenue

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

Income taxes

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

North Carolina Association of Certified Public Accountants, Inc. and Affiliate

Notes to Consolidated Financial Statements April 30, 2018 and 2017

The Association is not currently under examination by the Internal Revenue Service or the State of North Carolina. While none of the Association's income tax returns are currently being examined by the Internal Revenue Service, tax years since the year ended April 30, 2015 remain open for potential examination.

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

The Foundation is not currently under examination by the Internal Revenue Service or the State of North Carolina. While none of the Foundation's income tax returns are currently being examined by the Internal Revenue Service, tax years since the year ended April 30, 2015 remain open for potential examination.

Functional allocations of expenses

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

Program services

Professional services

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

Communication and member services

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

My Member Community

The Association introduced My Member Community in fiscal year 2017, which included an online portal for NCACPA members to connect, impact, and grow in ways that are more meaningful to them. Through technology, NCACPA is able to provide ways for members to communicate and engage with one another when they want, where they want and how they want. The online portal includes opportunities through Volunteer Match, Connect and Mentor Match. Coupled with more grassroots events, including meetups and small networking groups, NCACPA has expanded from a geographic model to a more unified, collaborative community.

Peer review

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

North Carolina Association of Certified Public Accountants, Inc. and Affiliate

**Notes to Consolidated Financial Statements
April 30, 2018 and 2017**

Government relations

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

Foundation

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

Donated services

The Organization's members donate significant time by serving on various committees, boards and planning local area events. No amounts have been reflected in the financial statements for volunteered time since the services performed do not meet the requirements for recognition in the financial statements.

Use of estimates

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

Fair value of financial instruments

Professional standards require disclosure about the fair value for all financial instruments, whether or not recognized, for financial statement purposes. Disclosures about fair value of financial instruments are based on pertinent information available to management as of April 30, 2018 and 2017. Accordingly, the estimates presented in these financial statements are not necessarily indicative of the amounts that could be realized on disposition of the financial instruments. Management has estimated that the fair values of cash, accounts receivable, accounts payable, accrued expenses and short-term borrowings to be approximately their respective carrying values reported in these financial statements because of their short maturities.

Reclassifications

Reclassifications have been made to the prior year balances to conform to the current year presentation.

Note 3 - Concentration of credit risk

The Organization places its cash and cash equivalents with financial institutions in the United States. The Federal Deposit Insurance Corporation ("FDIC") covers up to \$250,000 for substantially all depository accounts. The Organization exceeded these limits by \$904,097 and \$304,078 as of April 30, 2018 and 2017, respectively.

North Carolina Association of Certified Public Accountants, Inc. and Affiliate

**Notes to Consolidated Financial Statements
April 30, 2018 and 2017**

The Organization also maintains separate investment accounts that are protected by the Securities Investor Protection Corporation ("SIPC"). The SIPC is a nonprofit membership corporation funded by its member securities broker-dealers. The SIPC insures against the loss or theft of securities as well as the failure or insolvency of a brokerage firm. The insurance does not apply to losses related to market risk or investment fraud. At April 30, 2018 and 2017, the limits of protection extended up to \$500,000 for securities, including \$250,000 for cash and cash equivalents. The Organization exceeded the insured limits by \$4,006,020 and \$3,767,251 as of April 30, 2018 and 2017, respectively.

The Organization also maintains separate cash equivalents and investments that are not protected by SIPC or FDIC. For these funds, there is no insurance against the loss or theft of securities as well as the failure or insolvency of a brokerage firm. As of April 30, 2018 and 2017, these uninsured funds totaled \$7,974 and \$5,856, respectively.

Note 4 - Investments

Investments as April 30, 2018 consist of the following:

	<u>Historical cost</u>	<u>Fair value</u>
Bond funds	\$ 1,972,307	\$ 1,958,569
Equity funds	1,995,350	2,304,592
Mutual funds	<u>541,949</u>	<u>549,459</u>
	<u><u>\$ 4,509,606</u></u>	<u><u>\$ 4,812,620</u></u>

Investments as April 30, 2017 consist of the following:

	<u>Historical cost</u>	<u>Fair value</u>
Bond funds	\$ 1,951,764	\$ 1,963,953
Equity funds	1,940,024	2,076,044
Mutual funds	479,061	498,114
Mutual funds - restricted investments	<u>169,866</u>	<u>173,768</u>
	<u><u>\$ 4,540,715</u></u>	<u><u>\$ 4,711,879</u></u>

The following summarized the investment return for the fiscal years ended April 30, 2018 and 2017, respectively:

	<u>2018</u>	<u>2017</u>
Unrealized gain (loss) on investments	\$ 135,752	\$ 167,262
Interest and dividends	129,980	79,070
Realized gain on investments	1,054	95,952
Investment fees	<u>(18,259)</u>	<u>(3,890)</u>
	<u><u>\$ 248,527</u></u>	<u><u>\$ 338,394</u></u>

North Carolina Association of Certified Public Accountants, Inc. and Affiliate

Notes to Consolidated Financial Statements
April 30, 2018 and 2017

Note 5 - Fair market value measurements

The Organization applies Generally Accepted Accounting Principles ("GAAP") for fair value measurements of financial assets that are recognized or disclosed at fair value in the financial statements on a recurring basis. GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP also establishes a framework for measuring fair value and expands disclosures about fair value measurements.

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

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

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

The following table presents assets that are measured at fair value on a recurring basis at April 30, 2018:

Fair value measurements at reporting date using:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Bond funds	\$ 1,958,569	\$ -	\$ -
Equity funds	2,304,592	-	-
Mutual funds	<u>549,459</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 4,812,620</u>	<u>\$ -</u>	<u>\$ -</u>

North Carolina Association of Certified Public Accountants, Inc. and Affiliate

**Notes to Consolidated Financial Statements
April 30, 2018 and 2017**

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

Fair value measurements at reporting date using:

	Level 1	Level 2	Level 3
Bond funds	\$ 1,963,953	\$ -	\$ -
Equity funds	2,076,044	-	-
Mutual funds - foreign equities	498,114	-	-
Mutual funds - restricted investments	173,768	-	-
Total	<u>\$ 4,711,879</u>	<u>\$ -</u>	<u>\$ -</u>

Note 6 - Deferred compensation plans

The Association provided a deferred compensation plan (defined contribution) for the benefit of the Chief Executive Officer ("CEO") and has established a brokerage firm trust account to manage the funds contributed to the plan. The brokerage firm trust account records the current value of required contributions, including earnings, credited thereto.

Effective May 1, 2012, a deferred compensation plan was established for the Association's CEO, formerly the Chief Operating Officer. The Association made annual contributions to the plan equal to 15% of the CEO's annual gross salary. The deferred compensation account became fully vested on the earliest of the following dates: May 1, 2017; the date the current CEO becomes disabled; or the date of the current CEO's death; or if the current CEO is involuntarily terminated for a reason other than good cause by the Association before any of the above dates. A lump sum payment was made on August 15, 2017 to relieve this liability.

The value of the restricted investments held in the brokerage account for the deferred compensation plan totaled \$0 and \$173,768 as of April 30, 2018 and 2017, respectively. The corresponding liabilities totaled \$0 and \$218,218 as of April 30, 2018 and 2017, respectively. The difference between the asset and liability accounts of \$0 and \$44,450 reflect deposits made to the brokerage account subsequent to year end in May 2017.

Note 7 - Retirement plan

The Association has a flexible 401(k) profit sharing plan. The Plan covers substantially all employees meeting age and service requirements. The Association contributes five percent of annual compensation for all eligible employees into the Profit Sharing plan. As part of the 401(k) Plan, the Association also will match 100 percent of the first two percent of employee contributions, with an additional three percent safe harbor contribution. Retirement contributions totaled \$180,133 and \$185,627 for the years ended April 30, 2018 and 2017, respectively.

North Carolina Association of Certified Public Accountants, Inc. and Affiliate

**Notes to Consolidated Financial Statements
April 30, 2018 and 2017**

Note 8 - Lease commitments

The Association has two operating lease agreements for copiers and a digital mailing system. The operating lease agreements will expire April 2019. Future minimum lease payments due under these operating lease agreements is \$5,964 for the year ended April 30, 2019. Total rental expense for the years ended April 30, 2018 and 2017 was \$20,547 and \$16,869, respectively.

Note 9 - Temporarily restricted net assets

The James L. McCoy, CPA Accounting Scholarship Fund was established to award scholarships to accounting students based on need and academic achievement. Scholarships from this fund are granted at the discretion of the Board of Directors of the Foundation. The fund was primarily supported by a joint effort between the late James L. McCoy, who donated time spent conducting an annual seminar, and NCACPA, which donated the net proceeds from the annual seminar. Per agreement with the donor, the Foundation will distribute the greater of the earnings of the fund for the preceding calendar year or four percent of the principal balance as of the preceding December 31 year end.

For the years ended April 30, 2018 and 2017, the Association contributed \$8,793 and \$5,708, respectively, to the Fund, all of which were eliminated for financial statement presentation. Additional contributions of \$18,142 and \$48,867 were received during the years ended April 30, 2018 and 2017, respectively. Scholarships totaling \$0 and \$7,000 were awarded during the years ended April 30, 2018 and 2017, respectively.

Temporarily restricted net assets are available for the following purposes at April 30, 2018 and 2017:

	2018	2017
James L. McCoy, CPA Accounting Scholarship	\$ 288,490	\$ 255,787
Local Area and Committee Scholarship Funds	31,167	16,752
Max Mukelabai Leadership Training Fund	12,066	10,536
	<u>\$ 331,723</u>	<u>\$ 283,075</u>

During fiscal year 2018, the Foundation's board of directors voted to not issue any scholarships due to a relaunch of the scholarship process. Net assets of \$0 and \$84,143 were released from restriction during the fiscal years ended April 30, 2018 and 2017, respectively.

Note 10 - Related party transactions

The Foundation provides educational scholarships and awards to students and educators. The Association acts as an agent on behalf of the Foundation in the collection of contributions and in the payment of certain operating expenses, which are subsequently reimbursed. The approximate cost of the unreimbursed Association employees' time spent on Foundation activities totaled \$21,645 and \$18,641 for the fiscal years ending April 30, 2018 and 2017, respectively, all of which were eliminated for financial statement presentation. The Association made contributions to the Foundation totaling \$44,465 and \$39,157 during the years ending April 30, 2018 and 2017, respectively, all of which were eliminated for financial statement presentation.

North Carolina Association of Certified Public Accountants, Inc. and Affiliate

**Notes to Consolidated Financial Statements
April 30, 2018 and 2017**

Note 11 - Subsequent events

Events that occur after the consolidated statement of financial position date but before the consolidated financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the consolidated statement of financial position date are recognized in the accompanying consolidated financial statements. Subsequent events which provide evidence about conditions that existed after the consolidated statement of financial position date require disclosure in the accompanying notes. Management evaluated the activity of the Organization through October 24, 2018 (date which the consolidated financial statements were available to be issued) and concluded that no subsequent events have occurred that would require either recognition or additional disclosure in the consolidated financial statements.

Supplementary Information

North Carolina Association of Certified Public Accountants, Inc. and Affiliate

**Consolidating Statement of Financial Position
April 30, 2018**

	NCACPA	NC CPA Foundation	Eliminations	Consolidated NCACPA
Assets				
Cash and cash equivalents	\$ 980,065	\$ 169,531	\$ -	\$ 1,149,596
Accounts receivable	39,996	1,330	(6,805)	34,521
Investments	4,263,161	298,626	-	4,561,787
Prepaid expenses	221,927	-	-	221,927
Building and improvements	2,210,215	-	-	2,210,215
Computers and office equipment	1,172,794	-	-	1,172,794
Furniture and fixtures	342,485	-	-	342,485
Land	249,563	-	-	249,563
Vehicle	56,081	-	-	56,081
Accumulated depreciation	(2,680,278)	-	-	(2,680,278)
Construction in progress	18,600	-	-	18,600
Investments - noncurrent	-	250,833	-	250,833
Total assets	\$ 6,874,609	\$ 720,320	\$ (6,805)	\$ 7,588,124
Liabilities				
Accounts payable	\$ 177,668	\$ -	\$ (1,275)	\$ 176,393
Accounts payable - related party	-	5,530	(5,530)	-
Deferred revenue	847,300	-	-	847,300
Accrued other liabilities	68,051	-	-	68,051
Accrued salary and payroll tax liabilities	97,334	-	-	97,334
Accrued vacation	75,973	-	-	75,973
Accrued retirement	61,225	-	-	61,225
Total liabilities	1,327,551	5,530	(6,805)	1,326,276
Net assets				
Unrestricted net assets	5,547,058	383,067	14,561	5,944,686
Temporarily restricted	-	331,723	(14,561)	317,162
Total net assets	5,547,058	714,790	-	6,261,848
Total liabilities and net assets	\$ 6,874,609	\$ 720,320	\$ (6,805)	\$ 7,588,124

North Carolina Association of Certified Public Accountants, Inc. and Affiliate

**Consolidating Statement of Financial Position
April 30, 2017**

	NCACPA	NC CPA Foundation	Eliminations	Consolidated NCACPA
Assets				
Cash and cash equivalents	\$ 497,928	\$ 62,006	\$ -	\$ 559,934
Accounts receivable	61,840	12,005	(13,153)	60,692
Investments	4,039,997	279,558	-	4,319,555
Prepaid expenses	191,532	-	-	191,532
Restricted investments - current	173,768	-	-	173,768
Building and improvements	2,201,792	-	-	2,201,792
Computers and office equipment	1,083,671	-	-	1,083,671
Furniture and fixtures	356,985	-	-	356,985
Land	249,563	-	-	249,563
Vehicle	56,081	-	-	56,081
Accumulated depreciation	(2,239,289)	-	-	(2,239,289)
Construction in progress	630	-	-	630
Investments - noncurrent	-	227,254	-	227,254
Total assets	\$ 6,674,498	\$ 580,823	\$ (13,153)	\$ 7,242,168
Liabilities				
Accounts payable	\$ 144,472	\$ 3,000	\$ (12,000)	\$ 135,472
Accounts payable - related party	-	1,153	(1,153)	-
Deferred revenue	737,417	-	-	737,417
Deferred compensation liability - current portion	218,218	-	-	218,218
Accrued other liabilities	63,176	-	-	63,176
Accrued salary and payroll tax liabilities	96,127	-	-	96,127
Accrued vacation	74,631	-	-	74,631
Accrued retirement	59,919	-	-	59,919
Total liabilities	1,393,960	4,153	(13,153)	1,384,960
Net assets				
Unrestricted net assets	5,280,538	287,827	5,768	5,574,133
Temporarily restricted	-	288,843	(5,768)	283,075
Total net assets	5,280,538	576,670	-	5,857,208
Total liabilities and net assets	\$ 6,674,498	\$ 580,823	\$ (13,153)	\$ 7,242,168

See Independent Auditor's Report.

North Carolina Association of Certified Public Accountants, Inc. and Affiliate

**Consolidating Statement of Activities and Changes in Net Assets
Year Ended April 30, 2018**

	NCACPA	NC CPA Foundation	Eliminations	Consolidated NCACPA
Revenues and other support				
Professional education	\$ 5,978,679	\$ -	\$ -	\$ 5,978,679
Membership dues	2,177,038	-	-	2,177,038
Peer review administration fees	162,005	-	-	162,005
Advertising, sponsorships, and other income	164,658	-	-	164,658
Member engagement	40,100	-	-	40,100
My member community	52,416	-	-	52,416
Contributions	-	120,606	(53,258)	67,348
In-kind contribution - related party	-	21,645	(21,645)	-
Investment return	232,526	31,569	-	264,095
	<u>8,807,422</u>	<u>173,820</u>	<u>(74,903)</u>	<u>8,906,339</u>
Total revenues and other support				
	8,807,422	173,820	(74,903)	8,906,339
Expenses				
Materials, speakers, and site expenses	3,309,981	1,476	-	3,311,457
Personnel expenses	2,888,444	-	-	2,888,444
Printing, postage and emarketing	197,255	300	-	197,555
Depreciation	458,040	-	-	458,040
Bank and merchant fees	223,553	379	-	223,932
Peer review expenses	143,530	-	-	143,530
Building expenses	116,553	-	-	116,553
Technology support	316,475	-	-	316,475
Staff travel	114,915	-	-	114,915
Professional services	201,418	11,900	-	213,318
Scholarships and contributions	55,516	-	(53,258)	2,258
Leadership summit	60,443	-	-	60,443
Committee expenses	54,646	-	-	54,646
Office equipment rental and repairs	76,444	-	-	76,444
Board and officer expenses	65,294	-	-	65,294
New CPA Inauguration	75,955	-	-	75,955
Member engagement	17,458	-	-	17,458
Student leadership institute	-	-	-	-
Office supplies and expense	27,969	-	-	27,969
Telecommunications	42,806	-	-	42,806
Staff training	29,674	-	-	29,674
Business insurance	17,003	-	-	17,003
Unrelated business income and proxy tax	27,422	-	-	27,422
Image enhancement	10	-	-	10
Dues and subscriptions	19,820	-	-	19,820
Gain/loss on disposal of equipment	-	-	-	-
Student recruitment	278	-	-	278
In-kind management fee - related party	-	21,645	(21,645)	-
	<u>8,540,902</u>	<u>35,700</u>	<u>(74,903)</u>	<u>8,501,699</u>
Total expenses				
	8,540,902	35,700	(74,903)	8,501,699
Excess (deficiency) of revenues over expenses	266,520	138,120	-	404,640
Net assets at beginning of year	5,280,538	576,670	-	5,857,208
Other transfers to (from net assets)	-	-	-	-
	<u>\$ 5,547,058</u>	<u>\$ 714,790</u>	<u>\$ -</u>	<u>\$ 6,261,848</u>
Net assets at end of year				

North Carolina Association of Certified Public Accountants, Inc. and Affiliate

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

	NCACPA	NC CPA Foundation	Eliminations	Consolidated NCACPA
Revenues and other support				
Professional education	\$ 5,497,577	\$ -	\$ -	\$ 5,497,577
Membership dues	2,159,815	-	-	2,159,815
Peer review administration fees	173,055	-	-	173,055
Advertising, sponsorships, and other income	183,261	-	-	183,261
Member engagement	85,420	-	-	85,420
My member community	55,492	-	-	55,492
Contributions	-	139,757	(44,925)	94,832
In-kind contribution - related party	-	18,641	(18,641)	-
Investment return	296,795	43,109	-	339,904
	<u>8,451,415</u>	<u>201,507</u>	<u>(63,566)</u>	<u>8,589,356</u>
Total revenues and other support				
Expenses				
Materials, speakers, and site expenses	3,396,178	935	-	3,397,113
Personnel expenses	2,891,102	-	-	2,891,102
Printing, postage and emarketing	238,718	157	-	238,875
Depreciation	334,903	-	-	334,903
Bank and merchant fees	189,127	54	-	189,181
Peer review expenses	112,011	-	-	112,011
Building expenses	115,252	-	-	115,252
Technology support	298,288	-	-	298,288
Staff travel	127,889	-	-	127,889
Professional services	73,021	9,000	-	82,021
Scholarships and contributions	53,153	128,143	(44,925)	136,371
Leadership summit	82,870	-	-	82,870
Committee expenses	58,616	-	-	58,616
Office equipment rental and repairs	46,113	-	-	46,113
Board and officer expenses	68,678	-	-	68,678
New CPA Inauguration	81,040	-	-	81,040
Member engagement	10,666	-	-	10,666
Student leadership institute	21,850	-	-	21,850
Office supplies and expense	26,723	-	-	26,723
Telecommunications	41,069	-	-	41,069
Staff training	38,350	-	-	38,350
Business insurance	19,670	-	-	19,670
Unrelated business income and proxy tax	19,779	-	-	19,779
Image enhancement	32,556	-	-	32,556
Dues and subscriptions	20,596	-	-	20,596
Gain/loss on disposal of equipment	5,364	-	-	5,364
Student recruitment	669	-	-	669
In-kind management fee - related party	-	18,641	(18,641)	-
	<u>8,404,251</u>	<u>156,930</u>	<u>(63,566)</u>	<u>8,497,615</u>
Total expenses				
Excess (deficiency) of revenues over expenses	47,164	44,577	-	91,741
Net assets at beginning of year	5,233,374	532,093	-	5,765,467
Other transfers to (from net assets)	-	-	-	-
	<u>\$ 5,280,538</u>	<u>\$ 576,670</u>	<u>\$ -</u>	<u>\$ 5,857,208</u>
Net assets at end of year				

See Independent Auditor's Report.



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