

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

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

**April 30, 2023 and 2022**

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

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## Independent Auditor's Report

To the Board of Directors  
North Carolina Association of  
Certified Public Accountants, Inc. and Affiliates

### *Opinion*

We have audited the accompanying consolidated financial statements of North Carolina Association of Certified Public Accountants, Inc. and Affiliates, which comprise the consolidated statements of financial position as of April 30, 2023 and 2022, and the related consolidated statements of activities and changes in net assets, consolidated statements of functional expenses, and consolidated statements of cash flows for the years then ended, and the related notes to the consolidated financial statements.

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 Affiliates as of April 30, 2023 and 2022, and the changes their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of North Carolina Association of Certified Public Accountants, Inc. and Affiliates and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Responsibilities of Management for the Consolidated Financial Statements*

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about North Carolina Association of Certified Public Accountants, Inc. and Affiliates' ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

### *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally

accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 North Carolina Association of Certified Public Accountants, Inc. and Affiliates' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about North Carolina Association of Certified Public Accountants, Inc. and Affiliates' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

#### *Supplementary Information*

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statements of financial position and consolidating statements of activities and changes in net assets are presented for purposes of additional analysis and are 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 audit 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 consolidated 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 27, 2023

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

**Consolidated Statements of Financial Position  
April 30, 2023 and 2022**

|                                       | <u>Assets</u>        |                      |
|---------------------------------------|----------------------|----------------------|
|                                       | <u>2023</u>          | <u>2022</u>          |
| Assets                                |                      |                      |
| Current assets                        |                      |                      |
| Cash and cash equivalents             | \$ 2,437,927         | \$ 3,340,182         |
| Accounts receivable                   | 264,649              | 603,221              |
| Investments                           | 5,480,943            | 5,440,775            |
| Prepaid expenses                      | 215,499              | 234,243              |
| Restricted investments                | 679,284              | 616,689              |
|                                       | <u>9,078,302</u>     | <u>10,235,110</u>    |
| Property and equipment                |                      |                      |
| Building and improvements             | 2,112,162            | 2,106,692            |
| Computers and office equipment        | 1,514,722            | 1,035,154            |
| Furniture and fixtures                | 346,429              | 346,429              |
| Land                                  | 249,563              | 249,563              |
| Vehicles                              | 66,713               | 66,713               |
|                                       | <u>4,289,589</u>     | <u>3,804,551</u>     |
| Less accumulated depreciation         | <u>(3,404,957)</u>   | <u>(3,177,183)</u>   |
|                                       | 884,632              | 627,368              |
| Construction in progress              | <u>64,510</u>        | <u>121,978</u>       |
|                                       | <u>949,142</u>       | <u>749,346</u>       |
| Total property and equipment          |                      |                      |
| Other long-term assets                |                      |                      |
| Restricted investments - noncurrent   | 101,321              | 110,744              |
| Investment in unconsolidated entities | <u>14,777</u>        | <u>12,783</u>        |
|                                       | <u>116,098</u>       | <u>123,527</u>       |
| Total other long-term assets          |                      |                      |
| Total assets                          | <u>\$ 10,143,542</u> | <u>\$ 11,107,983</u> |

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

**Consolidated Statements of Financial Position  
April 30, 2023 and 2022**

Liabilities and Net Assets

|  | <u>2023</u>          | <u>2022</u>          |
|--|----------------------|----------------------|
| Liabilities                                |                      |                      |
| Current liabilities                        |                      |                      |
| Accounts payable                           | \$ 281,558           | \$ 235,791           |
| Deferred revenue                           | 846,987              | 1,274,396            |
| PPP loan - current portion                 | -                    | 113,542              |
| Accrued other liabilities                  | 90,133               | 168,127              |
| Accrued salary and payroll tax liabilities | 86,942               | 165,354              |
| Accrued vacation                           | 133,674              | 111,590              |
| Accrued retirement                         | 66,969               | 61,059               |
| Deferred compensation liability            | 242,899              | 195,734              |
|  | <u>1,749,162</u>     | <u>2,325,593</u>     |
| Total current liabilities                  |                      |                      |
| Noncurrent liabilities                     |                      |                      |
| Deferred compensation liability            | 23,400               | -                    |
| PPP loan                                   | -                    | 371,785              |
|  | <u>23,400</u>        | <u>371,785</u>       |
| Total noncurrent liabilities               |                      |                      |
| Total liabilities                          | <u>1,772,562</u>     | <u>2,697,378</u>     |
| Net assets                                 |                      |                      |
| Net assets without donor restrictions      | 7,909,081            | 7,959,037            |
| Net assets with donor restrictions         | 461,899              | 451,568              |
|  | <u>8,370,980</u>     | <u>8,410,605</u>     |
| Total net assets                           |                      |                      |
| Total liabilities and net assets           | <u>\$ 10,143,542</u> | <u>\$ 11,107,983</u> |

See Notes to Consolidated Financial Statements.

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

**Consolidated Statement of Activities and Changes in Net Assets  
Year Ended April 30, 2023**

|   | Net assets<br>without donor<br>restrictions | Net assets with<br>donor<br>restrictions | Total               |
|---|---|--|---------------------|
| Revenues and other support                    |   |  |                     |
| Professional education                        | \$ 4,538,320                                | \$ -                                     | \$ 4,538,320        |
| Membership dues                               | 2,266,101                                   | -  | 2,266,101           |
| Advertising, sponsorships and other income    | 164,142                                     | -  | 164,142             |
| My Member Community                           | 6,386                                       | -  | 6,386               |
| Foundation contributions                      | 82,866                                      | 2,150                                    | 85,016              |
| Investment return                             | 46,986                                      | 17,002                                   | 63,988              |
| PAC contributions                             | 73,630                                      | -  | 73,630              |
| Loan forgiveness                              | 485,327                                     | -  | 485,327             |
| Gain on investment in unconsolidated entities | 1,994                                       | -  | 1,994               |
|   | <u>7,665,752</u>                            | <u>19,152</u>                            | <u>7,684,904</u>    |
| Net assets released from restrictions         | <u>8,821</u>                                | <u>(8,821)</u>                           | <u>-</u>            |
| Total revenues and other support              | <u>7,674,573</u>                            | <u>10,331</u>                            | <u>7,684,904</u>    |
| Expenses                                      |   |  |                     |
| Program services                              |   |  |                     |
| Professional education                        | 3,347,539                                   | -  | 3,347,539           |
| Communications and member services            | 1,196,910                                   | -  | 1,196,910           |
| My Member Community                           | 72,834                                      | -  | 72,834              |
| Government relations                          | 236,393                                     | -  | 236,393             |
| NC CPA Foundation                             | 117,821                                     | -  | 117,821             |
| PAC   | 56,500                                      | -  | 56,500              |
| Total program services                        | <u>5,027,997</u>                            | <u>-</u>                                 | <u>5,027,997</u>    |
| Support services                              |   |  |                     |
| Management                                    | <u>2,696,532</u>                            | <u>-</u>                                 | <u>2,696,532</u>    |
| Total expenses                                | <u>7,724,529</u>                            | <u>-</u>                                 | <u>7,724,529</u>    |
| Changes in net assets                         | (49,956)                                    | 10,331                                   | (39,625)            |
| Net assets at beginning of year               | <u>7,959,037</u>                            | <u>451,568</u>                           | <u>8,410,605</u>    |
| Net assets at end of year                     | <u>\$ 7,909,081</u>                         | <u>\$ 461,899</u>                        | <u>\$ 8,370,980</u> |

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

**Consolidated Statement of Activities and Changes in Net Assets  
Year Ended April 30, 2022**

|   | Net assets<br>without donor<br>restrictions | Net assets with<br>donor<br>restrictions | Total        |
|---|---|--|--------------|
| Revenues and other support                  |   |  |              |
| Professional education                      | \$ 4,228,836                                | \$ -                                     | \$ 4,228,836 |
| Membership dues                             | 2,275,440                                   | -  | 2,275,440    |
| Advertising, sponsorships, and other income | 168,814                                     | -  | 168,814      |
| My Member Community                         | 329   | -  | 329          |
| Foundation contributions                    | 98,563                                      | 26,413                                   | 124,976      |
| Investment return                           | (424,542)                                   | (42,883)                                 | (467,425)    |
| PAC contributions                           | 44,084                                      | -  | 44,084       |
| Grant revenue                               | 367,063                                     | -  | 367,063      |
|   | 6,758,587                                   | (16,470)                                 | 6,742,117    |
| Net assets released from restrictions       | 22,830                                      | (22,830)                                 | -            |
| Total revenues and other support            | 6,781,417                                   | (39,300)                                 | 6,742,117    |
| Expenses                                    |   |  |              |
| Program services                            |   |  |              |
| Professional education                      | 3,469,557                                   | -  | 3,469,557    |
| Communications and member services          | 1,135,300                                   | -  | 1,135,300    |
| My Member Community                         | 72,591                                      | -  | 72,591       |
| Peer review                                 | 3,040                                       | -  | 3,040        |
| Government relations                        | 286,261                                     | -  | 286,261      |
| NC CPA Foundation                           | 140,676                                     | -  | 140,676      |
| PAC   | 28,729                                      | -  | 28,729       |
| Total program services                      | 5,136,154                                   | -  | 5,136,154    |
| Support services                            |   |  |              |
| Management                                  | 2,462,343                                   | -  | 2,462,343    |
| Total expenses                              | 7,598,497                                   | -  | 7,598,497    |
| Changes in net assets                       | (817,080)                                   | (39,300)                                 | (856,380)    |
| Net assets at beginning of year             | 8,776,117                                   | 490,868                                  | 9,266,985    |
| Net assets at end of year                   | \$ 7,959,037                                | \$ 451,568                               | \$ 8,410,605 |

See Notes to Consolidated Financial Statements.



# North Carolina Association of Certified Public Accountants, Inc. and Affiliates

## Consolidated Statement of Functional Expenses Year Ended April 30, 2023

|   | Program services       |                                    |                     |                      |            |           | Support services |              |              |
|---|------------------------|------------------------------------|---------------------|----------------------|------------|-----------|------------------|--------------|--------------|
|   | Professional education | Communications and member services | My Member Community | Government relations | Foundation | PAC       | Total            | Management   | Total        |
| Materials, speakers and site expenses   | \$ 2,212,325           | \$ -                               | \$ 12,685           | \$ -                 | \$ -       | \$ -      | \$ 2,225,010     | \$ -         | \$ 2,225,010 |
| Personnel expenses                      | 602,078                | 668,975                            | 33,449              | 100,346              | -          | -         | 1,404,848        | 1,940,028    | 3,344,876    |
| Printing, postage and emarketing        | 20,856                 | 98,999                             | -                   | 8,319                | 353        | -         | 128,527          | 798          | 129,325      |
| Depreciation                            | 63,777                 | 54,666                             | 4,556               | 6,833                | -          | -         | 129,832          | 97,943       | 227,775      |
| Bank and merchant fees                  | 97,046                 | 52,967                             | -                   | -                    | 5,303      | -         | 155,316          | 26,684       | 182,000      |
| Building expenses                       | 37,913                 | 32,496                             | 2,708               | 4,062                | -          | -         | 77,179           | 58,223       | 135,402      |
| Technology support                      | 188,275                | 161,379                            | 13,448              | 24,348               | -          | -         | 387,450          | 289,137      | 676,587      |
| Staff travel                            | 28,494                 | 18,598                             | -                   | 2,602                | -          | -         | 49,694           | 49,439       | 99,133       |
| Professional services                   | 31,798                 | 27,256                             | 2,271               | 56,779               | -          | -         | 118,104          | 91,422       | 209,526      |
| Scholarships and contributions          | -                      | -                                  | -                   | -                    | 110,000    | -         | 110,000          | 1,126        | 111,126      |
| Resource and networking groups          | 975                    | 9,129                              | -                   | 1,393                | -          | -         | 11,497           | -            | 11,497       |
| Office equipment rental and repairs     | 4,315                  | 3,698                              | 308                 | 462                  | -          | -         | 8,783            | 6,626        | 15,409       |
| Board and officer expenses              | 34,979                 | 29,982                             | 2,498               | 3,748                | 82         | -         | 71,289           | 53,717       | 125,006      |
| Member engagement                       | -                      | 6,356                              | -                   | -                    | -          | -         | 6,356            | -            | 6,356        |
| Office supplies and expense             | 5,736                  | 4,097                              | 184                 | 276                  | 2,083      | -         | 12,376           | 6,129        | 18,505       |
| Telecommunications                      | 7,322                  | 6,276                              | 523                 | 785                  | -          | -         | 14,906           | 11,245       | 26,151       |
| Staff training                          | 6,299                  | 13,830                             | 133                 | 1,033                | -          | -         | 21,295           | 17,896       | 39,191       |
| Business insurance                      | -                      | -                                  | -                   | -                    | -          | -         | -                | 24,625       | 24,625       |
| R&D                                     | -                      | -                                  | -                   | -                    | -          | -         | -                | 12,246       | 12,246       |
| Unrelated business income and proxy tax | -                      | -                                  | -                   | 25,300               | -          | -         | 25,300           | -            | 25,300       |
| Campaign contributions                  | -                      | -                                  | -                   | -                    | -          | 56,500    | 56,500           | -            | 56,500       |
| Dues and subscriptions                  | 5,351                  | 8,206                              | 71                  | 107                  | -          | -         | 13,735           | 9,248        | 22,983       |
|   | \$ 3,347,539           | \$ 1,196,910                       | \$ 72,834           | \$ 236,393           | \$ 117,821 | \$ 56,500 | \$ 5,027,997     | \$ 2,696,532 | \$ 7,724,529 |

# North Carolina Association of Certified Public Accountants, Inc. and Affiliates

## Consolidated Statement of Functional Expenses Year Ended April 30, 2022

|  | Program services       |                                    |                     |             |                      |            |           | Support services |              |              |
|--|------------------------|------------------------------------|---------------------|-------------|----------------------|------------|-----------|------------------|--------------|--------------|
|  | Professional education | Communications and member services | My Member Community | Peer review | Government relations | Foundation | PAC       | Total            | Management   | Total        |
| Materials, speakers and site expenses                | \$ 2,299,818           | \$ -                               | \$ 11,740           | \$ -        | \$ -                 | \$ -       | \$ -      | \$ 2,311,558     | \$ -         | \$ 2,311,558 |
| Personnel expenses                                   | 567,302                | 630,335                            | 31,517              | -           | 126,067              | -          | -         | 1,355,221        | 1,796,455    | 3,151,676    |
| Printing, postage and emarketing                     | 29,039                 | 38,455                             | 1,834               | -           | 2,750                | 193        | -         | 72,271           | 41,384       | 113,655      |
| Depreciation   | 63,761                 | 59,038                             | 4,723               | -           | 7,085                | -          | -         | 134,607          | 101,546      | 236,153      |
| Bank and merchant fees                               | 142,124                | 50,759                             | -                   | -           | -                    | 6,127      | -         | 199,010          | 10,152       | 209,162      |
| Building expenses                                    | 28,997                 | 26,849                             | 2,148               | -           | 3,222                | -          | -         | 61,216           | 46,180       | 107,396      |
| Technology support                                   | 197,054                | 180,767                            | 11,792              | -           | 21,911               | 1,095      | -         | 412,619          | 263,737      | 676,356      |
| Staff travel   | 26,289                 | 3,486                              | -                   | -           | -                    | -          | -         | 29,775           | 10,566       | 40,341       |
| Professional services                                | 64,178                 | 92,555                             | 4,754               | -           | 61,278               | 2,864      | -         | 225,629          | 102,209      | 327,838      |
| Scholarships and gifts                               | -                      | -                                  | -                   | -           | 28,729               | 130,000    | -         | 158,729          | 2,029        | 160,758      |
| Leadership summit                                    | -                      | -                                  | -                   | -           | 10,000               | -          | -         | 10,000           | -            | 10,000       |
| Committee expenses                                   | 1,805                  | 1,671                              | 134                 | -           | 201                  | -          | -         | 3,811            | 2,874        | 6,685        |
| Office equipment rental and repairs                  | -                      | 1,802                              | 1,453               | -           | 700                  | -          | -         | 3,955            | -            | 3,955        |
| Board and officer expenses                           | 4,886                  | 4,524                              | 362                 | -           | 543                  | -          | -         | 10,315           | 7,781        | 18,096       |
| New CPA Inauguration                                 | 5,210                  | 4,824                              | 386                 | -           | 579                  | -          | -         | 10,999           | 8,297        | 19,296       |
| Member engagement                                    | -                      | 4,568                              | -                   | -           | -                    | -          | -         | 4,568            | -            | 4,568        |
| Office supplies and expense                          | -                      | 7,721                              | -                   | -           | -                    | 397        | -         | 8,118            | -            | 8,118        |
| Telecommunications                                   | 4,261                  | 1,934                              | 76                  | -           | 114                  | -          | -         | 6,385            | 3,614        | 9,999        |
| Staff training                                       | 9,594                  | 8,884                              | 711                 | -           | 1,066                | -          | -         | 20,255           | 15,280       | 35,535       |
| Business insurance                                   | 7,657                  | 7,378                              | 237                 | -           | 356                  | -          | -         | 15,628           | 32,172       | 47,800       |
| Unrelated business income and proxy tax              | 6,009                  | 5,564                              | 445                 | -           | 668                  | -          | -         | 12,686           | 9,570        | 22,256       |
| Image enhancement                                    | -                      | -                                  | -                   | -           | 20,836               | -          | -         | 20,836           | -            | 20,836       |
| Dues and subscriptions                               | 11,573                 | 4,186                              | 279                 | -           | 156                  | -          | -         | 16,194           | 8,497        | 24,691       |
| Campaign contributions                               | -                      | -                                  | -                   | -           | -                    | -          | 28,729    | 28,729           | -            | 28,729       |
| (Gain)/loss on investment in unconsolidated entities | -                      | -                                  | -                   | 3,040       | -                    | -          | -         | 3,040            | -            | 3,040        |
|  | \$ 3,469,557           | \$ 1,135,300                       | \$ 72,591           | \$ 3,040    | \$ 286,261           | \$ 140,676 | \$ 28,729 | \$ 5,136,154     | \$ 2,462,343 | \$ 7,598,497 |

See Notes to Consolidated Financial Statements.

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

**Consolidated Statements of Cash Flows**  
**Years Ended April 30, 2023 and 2022**

|   | <u>2023</u>         | <u>2022</u>         |
|---|---------------------|---------------------|
| Cash flows from operating activities  |                     |                     |
| Changes in net assets   | \$ (39,625)         | \$ (856,380)        |
| Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities |                     |                     |
| Depreciation  | 227,775             | 236,153             |
| Unrealized loss on investments  | 87,793              | 644,635             |
| (Gain) loss on unconsolidated entities  | (1,994)             | 3,040               |
| Forgiveness of PPP loan   | (485,327)           | -                   |
| Net changes in assets and liabilities that provided (used) cash                                       |                     |                     |
| Accounts receivable   | 338,572             | (392,114)           |
| Prepaid expenses  | 18,744              | 170,913             |
| Accounts payable  | 45,767              | 7,716               |
| Deferred revenue  | (427,409)           | 386,456             |
| Accrued retirement  | 5,910               | 3,754               |
| Accrued salary  | (78,412)            | 30,655              |
| Accrued vacation  | 22,083              | (13,566)            |
| Accrued other liabilities   | (77,994)            | 80,068              |
| Deferred compensation liability   | <u>70,565</u>       | <u>40,579</u>       |
| Net cash (used in) provided by operating activities   | <u>(293,552)</u>    | <u>341,909</u>      |
| Cash flows from investing activities  |                     |                     |
| Purchases of investments  | (196,188)           | (238,294)           |
| Proceeds from investments   | 15,055              | 17,341              |
| Purchases of property and equipment   | <u>(427,570)</u>    | <u>(161,808)</u>    |
| Net cash used in investing activities   | <u>(608,703)</u>    | <u>(382,761)</u>    |
| Net decrease in cash and cash equivalents   | (902,255)           | (40,852)            |
| Cash and cash equivalents, at beginning of year   | <u>3,340,182</u>    | <u>3,381,034</u>    |
| Cash and cash equivalents, at end of year   | <u>\$ 2,437,927</u> | <u>\$ 3,340,182</u> |
| Noncash investing activities  |                     |                     |
| Purchases of property and equipment in accounts payable   | <u>\$ 91,481</u>    | <u>\$ -</u>         |
| Supplemental disclosures  |                     |                     |
| Cash paid for proxy tax   | <u>\$ 21,000</u>    | <u>\$ 25,036</u>    |

See Notes to Consolidated Financial Statements.

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

## **Notes to Consolidated Financial Statements April 30, 2023 and 2022**

### **Note 1 - Organization**

The North Carolina Association of Certified Public Accountants, Inc. ("Association" or "NCACPA"), 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 accounting profession by serving its members, encouraging high professional and ethical standards, providing accounting education, and furthering the interest of the profession. Its mission is to enhance the accounting profession and the community it serves through advocacy, connections, education and resources. 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 attract high quality students to consider accounting as a career choice and activities to support those that pursue an accounting education within NC colleges and universities.

The North Carolina CPA Political Action Committee ("PAC") was established to provide proactive support of state legislative candidates who share viewpoints on policy critical to the accounting profession.

The Association, Foundation, and PAC are collectively known as the Organization.

### **Note 2 - Summary of significant accounting policies**

#### **Basis of accounting**

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

#### **Basis of presentation**

The Organization follows Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958-205, *Not for Profit Entities - Presentation of Financial Statements*, and FASB ASC 958-605, *Not for Profit Entities - Revenue Recognition*. Under FASB ASC 958-205, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

#### **Principles of consolidation**

The accompanying consolidated financial statements include the accounts of the Association and its controlled affiliates, the Foundation and the PAC. The Foundation is a corporation in which the Association's Board of Directors makes up the entire membership. The PAC is governed by the Association. 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, unconditional contributions received are recorded as revenue without donor restrictions or revenue with donor restrictions depending on the existence and nature of any donor restrictions. Conditional contributions received are accounted for as a liability or are unrecognized initially, that is, until the barriers to entitlement are overcome, at which

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point the transaction is recognized as unconditional and classified as either net assets with restrictions or net assets without restrictions.

**Cash and cash equivalents**

For purposes of reporting the consolidated 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.

**Accounts receivables**

The Organization records accounts receivable at total unpaid balances for 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:

|  | 2023              | 2022              |
|--|-------------------|-------------------|
| Trade                                    | \$ 42,543         | \$ 37,137         |
| Employee Retention Tax Credit receivable | 192,054           | 563,338           |
| Other receivables                        | 30,052            | 2,746             |
|  | <u>\$ 264,649</u> | <u>\$ 603,221</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 consolidated 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 the specific identification method.

The Board of Directors designates a portion of investments to an operating reserve and for a strategic initiatives reserve. At April 30, 2023 and 2022 the operating reserve was \$1,400,000 and \$1,400,000, respectively. This reserve may be drawn upon, if necessary, to meet unexpected liquidity needs or in the event of financial distress. At April 30, 2023 and 2022 the strategic initiatives reserve was \$1,205,763 and \$1,331,226, respectively. These funds may be drawn upon to support the strategic mission of the Organization.

# North Carolina Association of Certified Public Accountants, Inc. and Affiliates

## Notes to Consolidated Financial Statements April 30, 2023 and 2022

At April 30, 2023 and 2022, investments were as follows:

|   | 2023                | 2022                |
|---|---------------------|---------------------|
| Unrestricted Investments  | \$ 2,875,180        | \$ 2,709,549        |
| Unrestricted Investments - Board Designated Operating Reserve             | 1,400,000           | 1,400,000           |
| Unrestricted Investments - Board Designated Strategic Initiatives         | 1,205,763           | 1,331,226           |
| Restricted Investments  | 651,469             | 588,477             |
| Restricted Investments - Foundation Board Designated                      | 27,815              | 28,212              |
| Restricted Investments - Foundation Board Designated - Endowed Investment | 50,661              | 55,372              |
| Restricted Investments - Donor Restricted Endowment Investments           | 50,660              | 55,372              |
|   | <u>\$ 6,261,548</u> | <u>\$ 6,168,208</u> |

### Investments in unconsolidated entities

The Association holds a non-controlling joint venture in one corporation, Coastal Peer Review, Inc. ("Coastal"), that is not consolidated in the consolidated financial statements. The Association holds an equal 50 percent stake in Coastal, which is a joint venture with Maryland Association of Certified Public Accountants. The investment in Coastal is carried on the consolidated statements of financial position.

### 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 three to seven 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 future 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.

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, 2020 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).

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

### **Notes to Consolidated Financial Statements April 30, 2023 and 2022**

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, 2020 remain open for potential examination.

The PAC is a voluntary nonprofit, unincorporated association of CPAs who are members of the NCACPA. The PAC is not affiliated with any political party, but instead is organized and operated on a non-partisan basis to preserve and promote the status of the accounting profession. The function of the organization is defined in Internal Revenue Service Code 527(e)(1).

The PAC is not currently under examination by the Internal Revenue Service or the State of North Carolina. While none of the PAC's income tax returns are currently being examined by the Internal Revenue Service, tax years since the year ended April 30, 2020 remain open for potential examination.

Management has analyzed the tax positions taken by the Organization and has concluded that, as of April 30, 2023, there are no uncertain tax positions that would require recognition of a liability (or asset) or disclosure in the consolidated financial statements.

#### **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 based on time records and estimates made by the Organization's management.

The costs of providing the Organization programs and other activities is summarized on a functional basis. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among various functions benefited using objective bases such as time spent or salaries.

Management and general expense include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Organization. Management and general activities included those that provide governance (Board of Directors), oversight, business management, financial recordkeeping, budgeting, legal services, human resource management and similar activities that ensure an adequate working environment and an equitable employment program.

#### **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**

My Member Community includes 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,

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where they want and how they want. 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, through its investment in Coastal, administered 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.

#### **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 and finance students attending North Carolina four-year colleges and universities, as well as community colleges.

#### **PAC**

The PAC serves to represent the interests of the accounting profession and business community before lawmakers and support candidates for state elective office who share the views of NCACPA members on matters of policy important to the membership and that protect the CPA license and profession.

#### **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 consolidated financial statements for volunteered time since the services performed do not meet the requirements for recognition in the consolidated financial statements.

#### **Use of estimates**

The preparation of the consolidated 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 consolidated 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, 2023 and 2022. Accordingly, the estimates presented in these consolidated financial statements are not necessarily indicative of the amounts that could be realized on disposition of the financial instruments. Management has estimated 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 consolidated financial statements because of their short maturities.



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#### Reclassifications

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

#### Adopted accounting pronouncement

The Organization adopted Accounting Standards Update 2016-02 (as amended), *Leases* (Topic 842) on January 1, 2022 (Adoption Date). ASC 842 requires lessees to recognize a right-of-use (ROU) asset and a corresponding lease liability for leases over one year. Additionally, the Organization elected and applied the following practical expedients on the Adoption Date:

- To apply the provisions of ASC 842 at the adoption date, instead of applying them to the earliest comparative period presented in the consolidated financial statements.
- The package of practical expedients permitting NCACPA to not reassess (i) the lease classification of existing leases; (ii) whether existing and expired contracts are or contain lease; (iii) initial direct costs for existing leases; and (iv) use the incremental borrowing rate in determining lease liability and assets.

Topic 842 requires lessees to recognize a right-of-use asset and a corresponding lease liability for all leases. The adoption of Topic 842 did not have a material impact on the Organization's consolidated statements of financial position and consolidated statements of activities and changes in net assets.

For the year ended April 30, 2023, the Organization also adopted ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This standard provides guidance on the presentation of contributed nonfinancial assets in the consolidated statement of activities and changes in net assets and additional disclosure requirements for each type of contributed nonfinancial asset. The ASU provides transparency on the measurement of the contributed nonfinancial assets of the Organization and will not change existing recognition and measurement requirements. The Organization has implemented the provisions of ASU 2020-07 applicable to all contributed nonfinancial assets, which has been applied retrospectively to all periods presented.

#### 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 \$2,167,756 and \$2,848,843 as of April 30, 2023 and 2022, respectively.

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, 2023 and 2022, 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 \$5,556,705 and \$5,492,170 as of April 30, 2023 and 2022, 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

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well as the failure or insolvency of a brokerage firm. As of April 30, 2023 and 2022, these uninsured funds totaled \$6,525 and \$8,138, respectively.

**Note 4 - Liquidity and availability**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the consolidated statement of financial position, comprise the following as of April 30, 2023 and 2022:

|  | <u>2023</u>                    | <u>2022</u>                    |
|--|--------------------------------|--------------------------------|
| Cash and cash equivalents  | \$ 2,437,927                   | \$ 3,340,182                   |
| Accounts receivable  | 264,649                        | 603,221                        |
| Investments  | <u>5,480,943</u>               | <u>5,440,775</u>               |
| <br>Total financial assets available<br>within one year  | <br><u>8,183,519</u>           | <br><u>9,384,178</u>           |
| <br>Less   |                                |                                |
| Net assets with donor restrictions   | 461,899                        | 451,568                        |
| Board designated net assets  | <u>2,686,777</u>               | <u>2,814,451</u>               |
| <br>Total net asset obligations  | <br><u>3,148,676</u>           | <br><u>3,266,019</u>           |
| <br>Total financial assets available to management<br>for general expenditures within one year | <br><u><u>\$ 5,034,843</u></u> | <br><u><u>\$ 6,118,159</u></u> |

The Organization maintains a policy of structuring its financial assets to be available as general expenditures, liabilities and other obligations come due.

Because of the seasonality of the Organization's business, operating funds will experience significant variability during the fiscal year. Cash may exceed short-term requirements for short periods of time. Any excess funds are held in checking accounts at the primary financial institution of the Association or in short-term money-market funds.

The Organization has evaluated and determined not to commit to an operating line of credit based on current liquidity and need versus expense to the Organization.

**Note 5 - Investments**

Investments as April 30, 2023 consist of the following:

|              | <u>Historical cost</u>     | <u>Fair value</u>          |
|--------------|----------------------------|----------------------------|
| Bond funds   | \$ 2,124,642               | \$ 1,892,362               |
| Equity funds | 3,582,289                  | 4,346,478                  |
| Mutual funds | <u>22,814</u>              | <u>22,708</u>              |
|              | <u><u>\$ 5,729,745</u></u> | <u><u>\$ 6,261,548</u></u> |

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Investments as April 30, 2022 consist of the following:

|              | <u>Historical cost</u> | <u>Fair value</u>   |
|--------------|------------------------|---------------------|
| Bond funds   | \$ 2,090,394           | \$ 1,919,430        |
| Equity funds | 3,448,658              | 4,231,982           |
| Mutual funds | <u>16,796</u>          | <u>16,796</u>       |
|              | <u>\$ 5,555,848</u>    | <u>\$ 6,168,208</u> |

The following summarized the investment return for the fiscal years ended April 30, 2023 and 2022, respectively:

|                                       | <u>2023</u>      | <u>2022</u>         |
|---------------------------------------|------------------|---------------------|
| Unrealized gain (loss) on investments | \$ (87,793)      | \$ (644,635)        |
| Interest and dividends                | 135,825          | 141,415             |
| Realized gain on investments          | 18,060           | 38,075              |
| Investment fees                       | <u>(2,104)</u>   | <u>(2,280)</u>      |
|                                       | <u>\$ 63,988</u> | <u>\$ (467,425)</u> |

**Note 6 - Fair market value measurements**

The Organization applies GAAP for fair value measurements of financial assets that are recognized or disclosed at fair value in the consolidated 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 Organization 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 is based on the lowest level input that is significant to the fair value measurement in its entirety.

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The following table presents assets that are measured at fair value on a recurring basis at April 30, 2023:

|              | <u>Level 1</u>      | <u>Level 2</u> | <u>Level 3</u> |
|--------------|---------------------|----------------|----------------|
| Bond funds   | \$ 1,892,362        | \$ -           | \$ -           |
| Equity funds | 4,346,478           | -              | -              |
| Mutual funds | <u>22,708</u>       | <u>-</u>       | <u>-</u>       |
| Total        | <u>\$ 6,261,548</u> | <u>\$ -</u>    | <u>\$ -</u>    |

The following table presents assets that are measured at fair value on a recurring basis at April 30, 2022:

|              | <u>Level 1</u>      | <u>Level 2</u> | <u>Level 3</u> |
|--------------|---------------------|----------------|----------------|
| Bond funds   | \$ 1,919,430        | \$ -           | \$ -           |
| Equity funds | 4,231,982           | -              | -              |
| Mutual funds | <u>16,796</u>       | <u>-</u>       | <u>-</u>       |
| Total        | <u>\$ 6,168,208</u> | <u>\$ -</u>    | <u>\$ -</u>    |

**Note 7 - Deferred compensation plans**

Effective May 1, 2018, a deferred compensation plan was established for the Association's CEO. The Association makes annual contributions to the plan equal to 15% of the CEO's annual gross salary. The deferred compensation account will become fully vested on the earliest of the following dates: April 30, 2023; 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.

As of April 30, 2023 and 2022, \$203,393 and \$150,195, respectively, has been deposited for the deferred compensation plan. The corresponding liability totaled \$242,899 and \$195,734, respectively, as of April 30, 2023 and 2022. The difference between the asset and liability accounts of \$39,506 reflect deposits the Association will make to the brokerage account subsequent to year end.

Effective February 1, 2023, a deferred compensation plan was established for the Association's COO. The Association makes annual contributions to the plan equal to 10% of the COO's annual gross salary. The deferred compensation account will become fully vested on the earliest of the following dates: January 31, 2028; the date the current COO becomes disabled; or the date of the current COO's death; or if the current COO is involuntarily terminated for a reason other than good cause by the Association before any of the above dates.

As of April 30, 2023 no amount has been deposited for the deferred compensation plan. The corresponding liability totaled \$23,400 as of April 30, 2023. The difference between the asset and liability accounts of \$23,400 reflect deposits the Association will make to the brokerage account subsequent to year end.

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**Note 8 - 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 \$189,221 and \$187,232 for the years ended April 30, 2023 and 2022, respectively.

**Note 9 - Lease commitments**

The Association has two operating lease agreements for copiers and a digital mailing system. The operating lease agreements expire April 2023.

Total rental expense for the years ended April 30, 2023 and 2022 was \$14,866 and \$17,883, respectively.

**Note 10 - Net assets without donor restrictions**

At April 30, 2023 and 2022, the Organization has net assets without donor restrictions of \$7,909,081 and \$7,959,037, respectively. At April 30, 2023 and 2022, net assets without donor restrictions were as follows:

|   | 2023                | 2022                |
|---|---------------------|---------------------|
| Undesignated                                      | \$ 5,222,304        | \$ 5,144,586        |
| Board Designated Operating Reserve                | 1,400,000           | 1,400,000           |
| Board Designated Strategic Initiatives            | 1,205,763           | 1,331,226           |
| Foundation Board Designated - Endowment           | 50,661              | 52,872              |
| Foundation Board Designated - Mission Advancement | 30,353              | 30,353              |
|   | <u>\$ 7,909,081</u> | <u>\$ 7,959,037</u> |

**Note 11 - Net assets with donor restrictions**

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, 2023 and 2022, the Association contributed \$50,000 and \$100,000, respectively, to the Foundation, all of which was eliminated for consolidated financial statement presentation. Scholarships totaling \$110,000 and \$130,000 were awarded from the Foundation during the years ended April 30, 2023 and 2022, respectively.

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Net assets with donor restrictions are available for the following purposes at April 30, 2023 and 2022:

|   | 2023              | 2022              |
|---|-------------------|-------------------|
| James L. McCoy, CPA Accounting Scholarship              | \$ 390,747        | \$ 378,205        |
| Local Area and Committee Scholarship Funds              | 20,852            | 20,852            |
| Legacy Scholarship Endowment - restricted in perpetuity | 50,300            | 52,511            |
|   | <u>\$ 461,899</u> | <u>\$ 451,568</u> |

**Note 12 - Endowment funds**

The Organization's endowment consists of two funds established for a purpose that are invested at Vanguard. The endowment consists of a donor-restricted endowment fund and a board designated quasi-endowed fund. Together these funds make up the Legacy Scholarship Program. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring, absent explicit donor stipulations to the contrary, that the following amounts included in the endowment be classified as permanently restricted: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA or spent in accordance with the purpose restrictions established by the donor.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowments funds:

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

As of April 30, 2022, the Board of Directors of the Legacy Scholarship Program have formally adopted investment and spending policies for endowment assets ("Endowment Policy"). The draft investment and spending policies for endowment assets attempt to provide for a predictable stream

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of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, the endowment assets will be invested in a manner that is intended to produce results that provide an average annual real rate of return, net of fees, equal to or greater than spending, administrative fees, and inflation (Consumer Price Index). Actual returns in any given year may vary from this amount. To satisfy its long-term rate-of-return objectives, the Legacy Scholarship Program relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The Legacy Scholarship Program spending policy allows for appropriating for distribution each year a maximum of 4% of the average fair market value using the prior years' value at the calendar year-end preceding the fiscal year in which the distribution is planned. This policy will be evaluated on an annual basis for prudence. In establishing the spending policy, the expected return on the endowment was taken into consideration. Accordingly, the spending policy is expected to allow the endowment to maintain its purchasing power by growing at a rate equal to planned payouts. Additional real growth will be provided through new gifts and any excess investment return.

During the year ended April 30, 2021 the endowment was established. Changes in the investment portion of the endowment net assets for the years ended April 30, 2023 and 2022 are as follows:

|  | Without donor<br>restrictions | With donor<br>restrictions | Total             |
|--|-------------------------------|----------------------------|-------------------|
| Endowment net assets,<br>May 1, 2021                         | \$ 59,903                     | \$ 59,903                  | \$ 119,806        |
| Distributions  | (2,500)                       | (2,500)                    | (5,000)           |
| Changes in beneficial interest in<br>assets, net of expenses | (4,531)                       | (4,892)                    | (9,423)           |
| Endowment net assets,<br>April 30, 2022                      | <u>\$ 52,872</u>              | <u>\$ 52,511</u>           | <u>\$ 105,383</u> |
| Endowment net assets,<br>May 1, 2022                         | \$ 52,872                     | \$ 52,511                  | \$ 105,383        |
| Distributions  | (2,500)                       | (2,500)                    | (5,000)           |
| Changes in beneficial interest in<br>assets, net of expenses | 289                           | 289                        | 578               |
| Endowment net assets,<br>April 30, 2023                      | <u>\$ 50,661</u>              | <u>\$ 50,300</u>           | <u>\$ 100,961</u> |

**Note 13 - Related party transactions**

The Foundation provides educational scholarships and awards to students. 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 \$31,305 and \$42,078 for the fiscal years ending April 30, 2023 and 2022, respectively, all of which were eliminated for consolidated financial statement presentation. The Association made contributions to the Foundation totaling \$50,000 and \$100,000 during the years ending April 30, 2023 and 2022, respectively, all of which were eliminated for consolidated financial statement presentation.

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

### **Notes to Consolidated Financial Statements April 30, 2023 and 2022**

The Association acts as an agent on behalf of the PAC 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 PAC activities totaled \$12,229 and \$2,874 for the fiscal years ending April 30, 2023 and 2022, respectively, all of which were eliminated for consolidated financial statement presentation.

#### **Note 14 - SBA CARES Act**

##### **Paycheck Protection Program**

On March 22, 2021, the Organization entered into an unsecured promissory note with PNC Bank for an aggregate principal amount of approximately \$485,327, pursuant to the Paycheck Protection Program (the "PPP Loan"), which was established under the Coronavirus Aid, Relief, and Economic Securities Act (the "CARES Act") and is administered by the U.S. Small Business Administration (the "SBA"). The outstanding borrowings under the PPP Loan bear interest at a rate of 1% per year and have a maturity of March 2026. Under the CARES Act, PPP Loan recipients meeting certain criteria set by the SBA may be eligible for full or partial forgiveness of such loans. As of April 30, 2023, the full amount of the PPP Loan has been forgiven.

##### **Employee Retention Credit**

For the year ended April 30, 2022, the Organization claimed the Employee Retention Tax Credit ("ERTC"), which was established under the CARES Act. Pursuant to ASC 958-605, the Organization deems the ERTC to be grant revenue. For the years ended April 30, 2023 and 2022, \$0 and \$367,063, respectively, were recorded as grant revenue on the consolidated statements of activities and changes in net assets. As of April 30, 2023 and 2022, \$192,054 and \$563,338, respectively, remain receivable and included in accounts receivable on the consolidated statements of financial position.

#### **Note 15 - 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 27, 2023 (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 Affiliates**

**Consolidating Statement of Financial Position  
April 30, 2023**

|  | NCACPA              | NC CPA<br>Foundation | PAC              | Eliminations        | Consolidated<br>NCACPA |
|--|---------------------|----------------------|------------------|---------------------|------------------------|
| <b>Assets</b>                              |                     |                      |                  |                     |                        |
| Cash and cash equivalents                  | \$ 2,237,942        | \$ 190,214           | \$ 9,771         | \$ -                | \$ 2,437,927           |
| Accounts receivable                        | 282,336             | 112,535              | 39,304           | (169,526)           | 264,649                |
| Investments                                | 5,331,341           | 149,602              | -                | -                   | 5,480,943              |
| Prepaid expenses                           | 215,499             | -                    | -                | -                   | 215,499                |
| Restricted investments - current           | 198,318             | 480,966              | -                | -                   | 679,284                |
| Building and improvements                  | 2,112,162           | -                    | -                | -                   | 2,112,162              |
| Computers and office equipment             | 1,514,722           | -                    | -                | -                   | 1,514,722              |
| Furniture and fixtures                     | 346,429             | -                    | -                | -                   | 346,429                |
| Land                                       | 249,563             | -                    | -                | -                   | 249,563                |
| Vehicle                                    | 66,713              | -                    | -                | -                   | 66,713                 |
| Accumulated depreciation                   | (3,404,957)         | -                    | -                | -                   | (3,404,957)            |
| Construction in progress                   | 64,510              | -                    | -                | -                   | 64,510                 |
| Restricted investments - noncurrent        | -                   | 101,321              | -                | -                   | 101,321                |
| Investment in unconsolidated entities      | 14,777              | -                    | -                | -                   | 14,777                 |
| <b>Total assets</b>                        | <b>\$ 9,229,355</b> | <b>\$ 1,034,638</b>  | <b>\$ 49,075</b> | <b>\$ (169,526)</b> | <b>\$ 10,143,542</b>   |
| <b>Liabilities</b>                         |                     |                      |                  |                     |                        |
| Accounts payable                           | \$ 404,073          | \$ 43,333            | \$ 3,678         | \$ (169,526)        | \$ 281,558             |
| Deferred revenue                           | 846,987             | -                    | -                | -                   | 846,987                |
| Accrued other liabilities                  | 90,133              | -                    | -                | -                   | 90,133                 |
| Accrued salary and payroll tax liabilities | 86,942              | -                    | -                | -                   | 86,942                 |
| Accrued vacation                           | 133,674             | -                    | -                | -                   | 133,674                |
| Accrued retirement                         | 66,969              | -                    | -                | -                   | 66,969                 |
| Deferred compensation liability            | 266,299             | -                    | -                | -                   | 266,299                |
| <b>Total liabilities</b>                   | <b>1,895,077</b>    | <b>43,333</b>        | <b>3,678</b>     | <b>(169,526)</b>    | <b>1,772,562</b>       |
| <b>Net assets</b>                          |                     |                      |                  |                     |                        |
| Net assets without donor restrictions      | 7,334,278           | 486,219              | 45,397           | 43,187              | 7,909,081              |
| Net assets with donor restrictions         | -                   | 505,086              | -                | (43,187)            | 461,899                |
| <b>Total net assets</b>                    | <b>7,334,278</b>    | <b>991,305</b>       | <b>45,397</b>    | <b>-</b>            | <b>8,370,980</b>       |
| <b>Total liabilities and net assets</b>    | <b>\$ 9,229,355</b> | <b>\$ 1,034,638</b>  | <b>\$ 49,075</b> | <b>\$ (169,526)</b> | <b>\$ 10,143,542</b>   |

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

**Consolidating Statement of Financial Position  
April 30, 2022**

|  | NCACPA               | NC CPA<br>Foundation | PAC              | Eliminations       | Consolidated<br>NCACPA |
|--|----------------------|----------------------|------------------|--------------------|------------------------|
| <b>Assets</b>                              |                      |                      |                  |                    |                        |
| Cash and cash equivalents                  | \$ 3,098,843         | \$ 222,690           | \$ 18,649        | \$ -               | \$ 3,340,182           |
| Accounts receivable                        | 611,778              | 25,053               | 13,296           | (46,906)           | 603,221                |
| Investments                                | 5,302,786            | 137,989              | -                | -                  | 5,440,775              |
| Prepaid expenses                           | 233,969              | 274                  | -                | -                  | 234,243                |
| Restricted investments - current           | 152,729              | 463,960              | -                | -                  | 616,689                |
| Building and improvements                  | 2,106,692            | -                    | -                | -                  | 2,106,692              |
| Computers and office equipment             | 1,035,154            | -                    | -                | -                  | 1,035,154              |
| Furniture and fixtures                     | 346,429              | -                    | -                | -                  | 346,429                |
| Land                                       | 249,563              | -                    | -                | -                  | 249,563                |
| Vehicle                                    | 66,713               | -                    | -                | -                  | 66,713                 |
| Accumulated depreciation                   | (3,177,183)          | -                    | -                | -                  | (3,177,183)            |
| Construction in progress                   | 121,978              | -                    | -                | -                  | 121,978                |
| Restricted investments - noncurrent        | -                    | 110,744              | -                | -                  | 110,744                |
| Investment in unconsolidated entities      | 12,783               | -                    | -                | -                  | 12,783                 |
| <b>Total assets</b>                        | <b>\$ 10,162,234</b> | <b>\$ 960,710</b>    | <b>\$ 31,945</b> | <b>\$ (46,906)</b> | <b>\$ 11,107,983</b>   |
| <b>Liabilities</b>                         |                      |                      |                  |                    |                        |
| Accounts payable                           | \$ 262,098           | \$ 16,921            | \$ 3,678         | \$ (46,906)        | \$ 235,791             |
| Deferred revenue                           | 1,274,396            | -                    | -                | -                  | 1,274,396              |
| Accrued other liabilities                  | 168,127              | -                    | -                | -                  | 168,127                |
| Accrued salary and payroll tax liabilities | 165,354              | -                    | -                | -                  | 165,354                |
| Accrued vacation                           | 111,590              | -                    | -                | -                  | 111,590                |
| Accrued retirement                         | 61,059               | -                    | -                | -                  | 61,059                 |
| Deferred compensation liability            | 195,734              | -                    | -                | -                  | 195,734                |
| PPP loan                                   | 485,327              | -                    | -                | -                  | 485,327                |
| <b>Total liabilities</b>                   | <b>2,723,685</b>     | <b>16,921</b>        | <b>3,678</b>     | <b>(46,906)</b>    | <b>2,697,378</b>       |
| <b>Net assets</b>                          |                      |                      |                  |                    |                        |
| Net assets without donor restrictions      | 7,438,549            | 460,160              | 28,267           | 32,061             | 7,959,037              |
| Net assets with donor restrictions         | -                    | 483,629              | -                | (32,061)           | 451,568                |
| <b>Total net assets</b>                    | <b>7,438,549</b>     | <b>943,789</b>       | <b>28,267</b>    | <b>-</b>           | <b>8,410,605</b>       |
| <b>Total liabilities and net assets</b>    | <b>\$ 10,162,234</b> | <b>\$ 960,710</b>    | <b>\$ 31,945</b> | <b>\$ (46,906)</b> | <b>\$ 11,107,983</b>   |

See Independent Auditor's Report.

# North Carolina Association of Certified Public Accountants, Inc. and Affiliates

## Consolidating Statement of Activities and Changes in Net Assets Year Ended April 30, 2023

|   | NCACPA       | NC CPA<br>Foundation | PAC       | Eliminations | Consolidated<br>NCACPA |
|---|--------------|----------------------|-----------|--------------|------------------------|
| Revenues and other support                    |              |                      |           |              |                        |
| Professional education                        | \$ 4,538,320 | \$ -                 | \$ -      | \$ -         | \$ 4,538,320           |
| Membership dues                               | 2,266,101    | -                    | -         | -            | 2,266,101              |
| Advertising, sponsorships, and other income   | 164,142      | -                    | -         | -            | 164,142                |
| My Member Community                           | 6,386        | -                    | -         | -            | 6,386                  |
| Foundation contributions                      | -            | 146,142              | -         | (61,126)     | 85,016                 |
| In-kind contribution - related party          | -            | 31,305               | 12,229    | (43,534)     | -                      |
| Investment return                             | 44,790       | 19,198               | -         | -            | 63,988                 |
| PAC contributions                             | -            | -                    | 73,630    | -            | 73,630                 |
| Loan forgiveness                              | 485,327      | -                    | -         | -            | 485,327                |
| Gain on investment in unconsolidated entities | 1,994        | -                    | -         | -            | 1,994                  |
| Total revenues and other support              | 7,507,060    | 196,645              | 85,859    | (104,660)    | 7,684,904              |
| Expenses                                      |              |                      |           |              |                        |
| Materials, speakers and site expenses         | 2,225,010    | -                    | -         | -            | 2,225,010              |
| Personnel expenses                            | 3,344,876    | -                    | -         | -            | 3,344,876              |
| Printing, postage and emarketing              | 129,325      | -                    | -         | -            | 129,325                |
| Depreciation                                  | 227,775      | -                    | -         | -            | 227,775                |
| Bank and merchant fees                        | 174,261      | 7,739                | -         | -            | 182,000                |
| Building expenses                             | 135,402      | -                    | -         | -            | 135,402                |
| Technology support                            | 676,587      | -                    | -         | -            | 676,587                |
| Staff travel                                  | 99,133       | -                    | -         | -            | 99,133                 |
| Professional services                         | 209,526      | -                    | -         | -            | 209,526                |
| Scholarships and gifts                        | 1,126        | 110,000              | -         | -            | 111,126                |
| Related party contributions                   | 61,126       | -                    | -         | (61,126)     | -                      |
| Resource and networking groups                | 11,412       | 85                   | -         | -            | 11,497                 |
| Office equipment rental and repairs           | 15,409       | -                    | -         | -            | 15,409                 |
| Board and officer expenses                    | 125,006      | -                    | -         | -            | 125,006                |
| Member engagement                             | 6,356        | -                    | -         | -            | 6,356                  |
| Office supplies and expense                   | 18,505       | -                    | -         | -            | 18,505                 |
| Telecommunications                            | 26,151       | -                    | -         | -            | 26,151                 |
| Staff training                                | 39,191       | -                    | -         | -            | 39,191                 |
| Business insurance                            | 24,625       | -                    | -         | -            | 24,625                 |
| R&D   | 12,246       | -                    | -         | -            | 12,246                 |
| Unrelated business income and proxy tax       | 25,300       | -                    | -         | -            | 25,300                 |
| Campaign contributions                        | -            | -                    | 56,500    | -            | 56,500                 |
| Dues and subscriptions                        | 22,983       | -                    | -         | -            | 22,983                 |
| In-kind management fee - related party        | -            | 31,305               | 12,229    | (43,534)     | -                      |
| Total expenses                                | 7,611,331    | 149,129              | 68,729    | (104,660)    | 7,724,529              |
| Excess (deficiency) of revenues over expenses | (104,271)    | 47,516               | 17,130    | -            | (39,625)               |
| Net assets at beginning of year               | 7,438,549    | 943,789              | 28,267    | -            | 8,410,605              |
| Net assets at end of year                     | \$ 7,334,278 | \$ 991,305           | \$ 45,397 | \$ -         | \$ 8,370,980           |

# North Carolina Association of Certified Public Accountants, Inc. and Affiliates

## Consolidating Statement of Activities and Changes in Net Assets Year Ended April 30, 2022

|  | NCACPA       | NC CPA<br>Foundation | PAC       | Eliminations | Consolidated<br>NCACPA |
|--|--------------|----------------------|-----------|--------------|------------------------|
| Revenues and other support                           |              |                      |           |              |                        |
| Professional education                               | \$ 4,228,836 | \$ -                 | \$ -      | \$ -         | \$ 4,228,836           |
| Membership dues                                      | 2,275,440    | -                    | -         | -            | 2,275,440              |
| Advertising, sponsorships and other income           | 168,814      | -                    | -         | -            | 168,814                |
| My member community                                  | 329          | -                    | -         | -            | 329                    |
| Foundation contributions                             | -            | 227,006              | -         | (102,030)    | 124,976                |
| In-kind contribution - related party                 | -            | 42,078               | 2,874     | (44,952)     | -                      |
| Investment return                                    | (410,877)    | (56,548)             | -         | -            | (467,425)              |
| PAC contributions                                    | -            | -                    | 44,084    | -            | 44,084                 |
| Grant revenue  | 367,063      | -                    | -         | -            | 367,063                |
| Total revenues and other support                     | 6,629,605    | 212,536              | 46,958    | (146,982)    | 6,742,117              |
| Expenses   |              |                      |           |              |                        |
| Materials, speakers and site expenses                | 2,311,558    | -                    | -         | -            | 2,311,558              |
| Personnel expenses                                   | 3,151,676    | -                    | -         | -            | 3,151,676              |
| Printing, postage and emarketing                     | 111,970      | 1,685                | -         | -            | 113,655                |
| Depreciation   | 236,153      | -                    | -         | -            | 236,153                |
| Bank and merchant fees                               | 203,035      | 6,127                | -         | -            | 209,162                |
| Peer review expenses                                 | -            | -                    | -         | -            | -                      |
| Building expenses                                    | 107,396      | -                    | -         | -            | 107,396                |
| Technology support                                   | 676,356      | -                    | -         | -            | 676,356                |
| Staff travel   | 40,341       | -                    | -         | -            | 40,341                 |
| Professional services                                | 324,974      | 2,864                | -         | -            | 327,838                |
| Scholarships and gifts                               | 30,758       | 130,000              | -         | -            | 160,758                |
| Related party contributions                          | 102,030      | -                    | -         | (102,030)    | -                      |
| Leadership summit                                    | 10,000       | -                    | -         | -            | 10,000                 |
| Committee expenses                                   | 6,685        | -                    | -         | -            | 6,685                  |
| Office equipment rental and repairs                  | 3,955        | -                    | -         | -            | 3,955                  |
| Board and officer expenses                           | 18,096       | -                    | -         | -            | 18,096                 |
| New CPA Inauguration                                 | 19,296       | -                    | -         | -            | 19,296                 |
| Member engagement                                    | 4,568        | -                    | -         | -            | 4,568                  |
| Office supplies and expense                          | 8,118        | -                    | -         | -            | 8,118                  |
| Telecommunications                                   | 9,999        | -                    | -         | -            | 9,999                  |
| Staff training                                       | 35,535       | -                    | -         | -            | 35,535                 |
| Business insurance                                   | 47,800       | -                    | -         | -            | 47,800                 |
| Unrelated business income and proxy tax              | 22,256       | -                    | -         | -            | 22,256                 |
| Image enhancement                                    | 20,836       | -                    | -         | -            | 20,836                 |
| Dues and subscriptions                               | 24,691       | -                    | -         | -            | 24,691                 |
| Campaign contributions                               | -            | -                    | 28,729    | -            | 28,729                 |
| (Gain)/loss on investment in unconsolidated entities | 3,040        | -                    | -         | -            | 3,040                  |
| In-kind management fee - related party               | -            | 42,078               | 2,874     | (44,952)     | -                      |
| Total expenses                                       | 7,531,122    | 182,754              | 31,603    | (146,982)    | 7,598,497              |
| Excess (deficiency) of revenues over expenses        | (901,517)    | 29,782               | 15,355    | -            | (856,380)              |
| Net assets at beginning of year                      | 8,340,066    | 914,007              | 12,912    | -            | 9,266,985              |
| Net assets at end of year                            | \$ 7,438,549 | \$ 943,789           | \$ 28,267 | \$ -         | \$ 8,410,605           |

See Independent Auditor's Report.



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