

**VSCPA EDUCATIONAL FOUNDATION, INC.**

**FINANCIAL REPORT**

**APRIL 30, 2008**

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
VSCPA Educational Foundation, Inc.  
Richmond, Virginia

We have audited the accompanying statements of financial position of VSCPA Educational Foundation, Inc., as of April 30, 2008 and 2007, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of VSCPA Educational Foundation, Inc., as of April 30, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Mitchell, Wiggins & Company LLP*

Richmond, Virginia  
October 9, 2008

**VSCPA EDUCATIONAL FOUNDATION, INC.**

**STATEMENTS OF FINANCIAL POSITION**

**April 30, 2008 and 2007**

<b>ASSETS</b>	<b>2008</b>	<b>2007</b>
Cash and cash equivalents	\$ 59,837	\$ 48,497
Pledges receivable	240,626	277,312
Other receivable	22,500	-
Due from related party	961	4,285
Investments	685,152	613,088
Prepaid expenses	4,385	1,652
Property and equipment, net	1,437	2,873
<b>Total assets</b>	<b>\$ 1,014,898</b>	<b>\$ 947,707</b>
 <b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable	\$ -	\$ 263
Due to related party	2,198	2,434
Scholarships payable	32,500	25,000
	<b>34,698</b>	<b>27,697</b>
 Net Assets		
Unrestricted:		
Undesignated	296,080	325,425
Board designated	14,494	-
	<b>310,574</b>	<b>325,425</b>
Temporarily restricted	436,514	442,767
Permanently restricted	233,112	151,818
	<b>980,200</b>	<b>920,010</b>
<b>Total liabilities and net assets</b>	<b>\$ 1,014,898</b>	<b>\$ 947,707</b>

See Notes to Financial Statements.

VSCPA EDUCATIONAL FOUNDATION, INC.

STATEMENTS OF ACTIVITIES

Years Ended April 30, 2008 and 2007

	2008	2007
<b>Changes in unrestricted net assets:</b>		
Revenue:		
Contributions	\$ 42,708	\$ 59,085
In-kind support	73,000	60,000
Continuing education	47,000	66,700
Investment income (loss)	(2,794)	37,739
Net assets released from restrictions, satisfaction of program restrictions	78,060	56,000
<b>Total unrestricted revenues</b>	<u>237,974</u>	<u>279,524</u>
Expenses:		
Program:		
Continuing education	47,000	66,700
Leaders' Institute	87,196	20,400
Scholarships and grants	51,650	60,800
Fundraising	25,295	19,855
General and administrative	41,684	70,892
Net assets reclassified, per donor instructions	-	50,000
<b>Total expenses</b>	<u>252,825</u>	<u>288,647</u>
<b>Decrease in unrestricted net assets</b>	<u>(14,851)</u>	<u>(9,123)</u>
<b>Changes in temporarily restricted net assets:</b>		
Contributions	77,876	215,398
Investment income (loss)	(6,069)	20,912
Net assets released from restrictions, satisfaction of program restrictions	(78,060)	(56,000)
Net assets reclassified, per donor instructions	-	100,000
<b>Increase (decrease) in temporarily restricted net assets</b>	<u>(6,253)</u>	<u>280,310</u>
<b>Changes in permanently restricted net assets:</b>		
Contributions	81,294	143,383
Net assets reclassified, per donor instructions	-	(50,000)
<b>Increase in permanently restricted net assets</b>	<u>81,294</u>	<u>93,383</u>
<b>Increase in net assets</b>	<b>60,190</b>	<b>364,570</b>
Net assets, beginning	<u>920,010</u>	<u>555,440</u>
Net assets, ending	<u>\$ 980,200</u>	<u>\$ 920,010</u>

See Notes to Financial Statements.

VSCPA EDUCATIONAL FOUNDATION, INC.

STATEMENTS OF CASH FLOWS  
Years Ended April 30, 2008 and 2007

	2008	2007
<b>Cash Flows From Operating Activities</b>		
Change in net assets	<b>\$ 60,190</b>	\$ 364,570
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,437	1,437
Realized gain on investments	-	(52,442)
Unrealized loss on investments	28,116	6,854
Permanently restricted contributions	(81,294)	(143,383)
Change in operating assets and liabilities:		
(Increase) decrease in assets:		
Pledges receivable	82,607	2,474
Other receivable	(22,500)	-
Due from related party	3,324	6,120
Prepaid expenses	(2,733)	(1,652)
Increase (decrease) in liabilities:		
Accounts payable	(263)	(360)
Due to related party	(236)	288
Scholarships payable	7,500	25,000
<b>Net cash provided by operating activities</b>	<b>76,148</b>	<b>208,906</b>
<b>Cash Flows From Investing Activities</b>		
Purchase of property and equipment	-	(2,000)
Proceeds from sale of investment securities	-	653,552
Purchase of investment securities	(100,181)	(861,942)
<b>Net cash used in investing activities</b>	<b>(100,181)</b>	<b>(210,390)</b>
<b>Cash Flows From Financing Activities</b>		
Permanently restricted contributions	35,373	43,782
<b>Net cash provided by financing activities</b>	<b>35,373</b>	<b>43,782</b>
<b>Increase in cash and cash equivalents</b>	<b>11,340</b>	<b>42,298</b>
Cash and cash equivalents, beginning	48,497	6,199
Cash and cash equivalents, ending	<b>\$ 59,837</b>	<b>\$ 48,497</b>

See Notes to Financial Statements.

## VSCPA EDUCATIONAL FOUNDATION, INC.

### NOTES TO FINANCIAL STATEMENTS

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#### **Note 1. Nature of Organization and Significant Accounting Policies**

Nature of organization: VSCPA Educational Foundation, Inc., (the Foundation) is a nonstock corporation dedicated to attracting future CPAs by promoting financial and accounting education, rewarding academic excellence and encouraging students to pursue promising careers. The Foundation supports students and educators in Virginia through undergraduate and graduate scholarships, financial literacy grants and award/recognition programs. The Foundation is a premier resource promoting excellence in accounting education by partnering with and benefiting business, academia, the accounting profession, and society at large. The majority of the Foundation's revenue is from contributions.

A summary of the Foundation's significant accounting policies follows:

Basis of accounting: The financial statements are presented on the accrual basis of accounting.

Financial statement presentation: Under SFAS No. 117, Financial Statements of Not-for-Profit Organizations, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Foundation is required to present a statement of cash flows.

Unrestricted net assets include board designated and other unrestricted funds. The unrestricted funds include revenue and expenses used currently for the general operations of the Foundation. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the donor restrictions expire in the fiscal year in which the contributions are recognized.

Temporarily restricted net assets include contributions restricted by donor designation and income earned on restricted assets and are reported as increases in temporarily restricted net assets. When a restriction expires either with the passage of time or by actions of the Foundation, temporarily restricted net assets are released and reclassified to unrestricted net assets. Temporarily restricted net assets consist primarily of contributions and earnings on restricted assets which will be used for scholarships.

Permanently restricted net assets include contributions subject to donor imposed stipulations that they be maintained permanently by the Foundation. Income from the permanently restricted net assets may be used to provide scholarships.

Cash and cash equivalents: The Foundation considers all cash accounts, which are not subject to withdrawal restrictions or penalties, and all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The Foundation, at times, may have cash in excess of insured limits.

## NOTES TO FINANCIAL STATEMENTS

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### **Note 1. Nature of Organization and Significant Accounting Policies (Continued)**

Pledges receivable: Pledges are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized.

Allowance for doubtful pledges: The allowance for doubtful pledges is based on management's evaluation of the collectibility of individual pledges. Pledges are charged against the allowance when deemed to be uncollectible. Subsequent recoveries are added to the allowance. No allowance was deemed necessary at April 30, 2008 or 2007.

Investments: Investments are recorded at fair market value under the provisions of SFAS No. 124.

Property and equipment: Property and equipment are recorded at cost. Depreciation is based on estimated useful service lives and is computed on straight-line method.

Income taxes: The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is not classified as a Private Foundation. The Foundation is subject to tax on any unrelated business income that it may generate.

Use of estimates: The preparation of 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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Reclassifications: Certain prior year amounts have been reclassified to conform to the current year presentation. The reclassifications had no effect on net assets.

### **Note 2. Pledges Receivable**

Pledges receivable as of April 30, 2008 and 2007, represent unconditional promises to give and have been discounted to their present value based on a rate of 2.84 and 4.51 percent, respectively. These pledges, primarily for scholarships, are expected to be collected as follows:

	2008	2007
Receivable in less than one year	\$140,717	\$129,842
Receivable in one to five years	103,700	158,709
	244,417	288,551
Less discount	(3,791)	(11,239)
	<u>\$240,626</u>	<u>\$277,312</u>

## NOTES TO FINANCIAL STATEMENTS

### Note 3. Investments

Cost and approximate market value of investment securities at April 30, 2008 and 2007, are as follows:

	2008			Approximate Market Value
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	
Equity Funds	\$501,451	\$ -	\$ 5,146	\$ 496,305
Fixed Income Funds	187,068	1,779	-	188,847
	<u>\$688,519</u>	<u>\$ 1,779</u>	<u>\$ 5,146</u>	<u>\$ 685,152</u>

	2007			Approximate Market Value
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	
Equity Funds	\$420,339	\$ 25,584	\$ -	\$ 445,923
Fixed Income Funds	168,000	-	835	167,165
	<u>\$588,339</u>	<u>\$ 25,584</u>	<u>\$ 835</u>	<u>\$ 613,088</u>

Investment income and gains and losses on investments at April 30, 2008 and 2007, are as follows:

	2008		
	Unrestricted	Temporarily Restricted	Total
Dividend and interest income	\$ 11,987	\$ 8,879	\$ 20,866
Unrealized losses on investments	(15,907)	(12,210)	(28,117)
	(3,920)	(3,331)	(7,251)
Investment advisory expenses	(920)	(692)	(1,612)
Administrative allocation	2,046	(2,046)	-
	<u>\$ (2,794)</u>	<u>\$ (6,069)</u>	<u>\$ (8,863)</u>

	2007		
	Unrestricted	Temporarily Restricted	Total
Dividend and interest income	\$ 10,294	\$ 6,268	\$ 16,562
Unrealized losses on investments	(1,580)	(5,274)	(6,854)
Realized gains on investments	30,282	22,161	52,443
	38,996	23,155	62,151
Investment advisory expenses	(2,297)	(1,202)	(3,499)
Administrative allocation	1,041	(1,041)	-
	<u>\$ 37,740</u>	<u>\$ 20,912</u>	<u>\$ 58,652</u>

## NOTES TO FINANCIAL STATEMENTS

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### **Note 3. Investments (Continued)**

The Foundation maintains investments in various money market funds, fixed income instruments, and equity instruments that are at risk to loss of principal.

Because of a significant downturn in the investment markets subsequent to April 30, 2008, as of October 9, 2008, the fair value of the Foundation's investments had declined approximately \$180,000 or 26% of the fair value of investments as of April 30, 2008.

### **Note 4. Property and Equipment**

Property and equipment consisted of the following at April 30:

	<u>2008</u>	<u>2007</u>
Software	\$4,310	\$4,310
Less accumulated depreciation	<u>(2,873)</u>	<u>(1,437)</u>
	<u>\$1,437</u>	<u>\$2,873</u>

### **Note 5. Related Party Transactions**

The Foundation is affiliated with The Virginia Society of Certified Public Accountants (Society), a code section 501(c)(3) entity. The Society accepted on behalf of and distributed to the Foundation contributions of \$62,890 and \$55,984 for the years ended April 30, 2008 and 2007, respectively. The Society provides personnel, facilities and other services to the Foundation, a portion of which is recorded as an in-kind support from the Society to the Foundation. The in-kind support is measured based on the total hours dedicated to the Foundation by Society personnel. During the years ended April 30, 2008 and 2007, the Society charged the Foundation \$25,000 for the cost of these services. As of April 30, 2008 and 2007, the in-kind support totaled approximately \$73,000 and \$60,000, respectively. At April 30, 2008 and 2007, the Foundation owed the VSCPA \$2,198 and \$2,434, respectively. Also, at April 30, 2008 and 2007, the VSCPA owed the Foundation \$961 and \$4,285, respectively, for contributions collected on behalf of the Foundation.

**INDEPENDENT AUDITORS' REPORT  
ON THE SUPPLEMENTARY INFORMATION**

Board of Directors  
VSCPA Educational Foundation, Inc.  
Richmond, Virginia

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for 2008 noted as "Actual" is presented for the purpose of additional analysis and is not a required part of the basic financial statements. This supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The supplementary information noted as "Budget" is also presented for the purpose of additional analysis and is not a required part of the basic financial statements. This supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or other assurance on it.

*Mitchell, Wiggins & Company LLP*

Richmond, Virginia  
October 9, 2008

VSCPA EDUCATIONAL FOUNDATION, INC.

**SCHEDULE OF ACTIVITIES DETAIL  
ACTUAL-TO-BUDGET ANALYSIS  
Year Ended April 30, 2008**

	Actual	Budget	Over (Under) Budget
<b>Changes in unrestricted net assets:</b>			
<b>Revenues:</b>			
Contributions	\$ 42,708	\$ 82,715	\$ (40,007)
In-kind support	73,000	-	73,000
Continuing education	47,000	60,000	(13,000)
Investment income (loss)	(2,794)	43,500	(46,294)
Net assets released from restrictions, satisfaction of program restrictions	78,060	-	78,060
<b>Total unrestricted revenues</b>	<u>237,974</u>	<u>186,215</u>	<u>51,759</u>
<b>Expenses:</b>			
<b>Program:</b>			
Continuing education	47,000	60,000	(13,000)
Leaders' Institute	87,196	55,000	32,196
Scholarships and grants	51,650	40,000	11,650
Fundraising	25,295	-	25,295
General and administrative	41,684	62,830	(21,146)
<b>Total expenses</b>	<u>252,825</u>	<u>217,830</u>	<u>34,995</u>
<b>Increase (decrease) in unrestricted net assets</b>	<u>(14,851)</u>	<u>(31,615)</u>	<u>16,764</u>
<b>Changes in temporarily restricted net assets:</b>			
Contributions	77,876	75,000	2,876
Investment income (loss)	(6,069)	-	(6,069)
Net assets released from restrictions, satisfaction of program restrictions	(78,060)	-	(78,060)
<b>Increase (decrease) in temporarily       restricted net assets</b>	<u>(6,253)</u>	<u>75,000</u>	<u>(81,253)</u>
<b>Changes in permanently restricted net assets:</b>			
Contributions	81,294	6,000	75,294
<b>Increase in net assets</b>	<u>\$ 60,190</u>	<u>\$ 49,385</u>	<u>\$ 10,805</u>