



VSCPA Educational Foundation, Inc.

Financial Statements

April 30, 2019

VSCPA Educational Foundation, Inc.

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Independent Auditor's Report

Board of Directors
VSCPA Educational Foundation, Inc.
Glen Allen, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of VSCPA Educational Foundation, Inc., which comprise the statement of financial position as of April 30, 2019, the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of VSCPA Educational Foundation, Inc., as of April 30, 2019, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited VSCPA Educational Foundation, Inc.'s 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 24, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended April 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Mitchell Wiggins

Richmond, Virginia
August 26, 2019

VSCPA Educational Foundation, Inc.

Statement of Financial Position

April 30, 2019, with Comparative Totals as of April 30, 2018

	Without Donor Restrictions	With Donor Restrictions	2019	2018
Assets				
Cash and cash equivalents	\$ 280,997	\$ 15,144	\$ 296,141	\$ 326,034
Due from related party	5,411	-	5,411	5,577
Investments	126,043	892,635	1,018,678	966,127
Prepaid expenses	-	-	-	854
Total assets	\$ 412,451	\$ 907,779	\$ 1,320,230	\$ 1,298,592
Liabilities and Net Assets				
Liabilities				
Due to related party	\$ 1,654	\$ -	\$ 1,654	\$ 819
Total liabilities	1,654	-	1,654	819
Net assets	410,797	907,779	1,318,576	1,297,773
Total liabilities and net assets	\$ 412,451	\$ 907,779	\$ 1,320,230	\$ 1,298,592

See Notes to Financial Statements

VSCPA Educational Foundation, Inc.

Statement of Activities

Year Ended April 30, 2019, with Comparative Totals for the Year Ended April 30, 2018

	Without Donor Restrictions	With Donor Restrictions	2019	2018
Revenues				
Contributions	\$ 53,171	\$ 3,060	\$ 56,231	\$ 97,668
In-kind support	28,922	-	28,922	27,030
Continuing education	70,000	-	70,000	105,000
Investment income, net	17,828	37,354	55,182	71,267
Net assets released from restrictions, satisfaction of program restrictions	38,750	(38,750)	-	-
Total revenue	208,671	1,664	210,335	300,965
Expenses				
Program	138,398	-	138,398	168,165
Fundraising	8,645	-	8,645	10,008
General and administrative	42,489	-	42,489	38,654
Total expenses	189,532	-	189,532	216,827
Change in net assets	19,139	1,664	20,803	84,138
Net assets, beginning	391,658	906,115	1,297,773	1,213,635
Net assets, ending	\$ 410,797	\$ 907,779	\$ 1,318,576	\$ 1,297,773

See Notes to Financial Statements

VSCPA Educational Foundation, Inc.

Statement of Cash Flows
Year Ended April 30, 2019

Cash Flows from Operating Activities	
Change in net assets	\$ 20,803
 <i>Adjustments to reconcile change in net assets to net cash and cash equivalents provided by (used in) operating activities</i>	
Unrealized gain on investments	(27,123)
<i>Changes in operating assets</i>	
Due from related party	166
Prepaid expenses	854
<i>Changes in operating liabilities</i>	
Due to related party	835
Net cash and cash equivalents (used in) operating activities	<u>(4,465)</u>
 Cash Flows from Investing Activities	
Purchase of investment securities	<u>(25,428)</u>
Net cash and cash equivalents (used in) investing activities	<u>(25,428)</u>
 Net change in cash and cash equivalents	(29,893)
 Cash and cash equivalents, beginning	<u>326,034</u>
 Cash and cash equivalents, ending	<u>\$ 296,141</u>

See Notes to Financial Statements

VSCPA Educational Foundation, Inc.

Notes to Financial Statements

April 30, 2019

Note 1. Nature of Organization and Summary of 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 current financial accounting standards generally accepted in the United States of America, the Foundation is required to report information regarding its financial position and activities according to two classes of net assets: without donor restriction and with donor restriction.

Net assets without donor restrictions 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 net assets without donor restriction if the donor restrictions expire in the fiscal year in which the contributions are recognized.

Net assets with donor restrictions include contributions restricted by donor designation and income earned on restricted assets is reported as increases in with donor restrictions. When a restriction expires either with the passage of time or by actions of the Foundation, contributions with donor restrictions are released and reclassified to without donor restrictions. Net assets with donor restrictions consist primarily of contributions and earnings on restricted assets which will be used for 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.

VSCPA Educational Foundation, Inc.

Notes to Financial Statements

April 30, 2019

Note 1. Nature of Organization and Summary of Significant Accounting Policies (continued)

Investments

Investments in debt and equity securities with readily determinable market values are recorded at fair market value under the provisions of current financial accounting standards generally accepted in the United States of America.

Property and equipment

Property and equipment are recorded at cost. Depreciation is based on estimated useful service lives and is computed on the 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.

Change in accounting principles

The Foundation adopted FASB ASU No. 2016-14 in the year ended April 30, 2019. The new standards change the following aspects of the financial statements:

- The unrestricted net asset class has been renamed net assets without donor restrictions;
- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions;
- The financial statements include expenses by nature and function;
- Investment expenses are reported net of investment returns; and
- The financial statements include a disclosure about liquidity and availability of resources (Note 8).

VSCPA Educational Foundation, Inc.

Notes to Financial Statements

April 30, 2019

Note 2. Prior-Year Summarized Comparative Information

The financial statements include certain prior-year summarized comparative information in total but not by asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended April, 30, 2018, from which the summarized information was derived.

Note 3. Related-Party Transactions

The Foundation is affiliated with The Virginia Society of Certified Public Accountants (Society), a Code Section 501(c)(6) entity. The Society accepted on behalf of and distributed to the Foundation contributions of \$36,282 and \$41,802 for the years ended April 30, 2019 and 2018, 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, 2019 and 2018, the Society charged the Foundation \$10,000 for the cost of these services. As of April 30, 2019 and 2018, the in-kind support totaled approximately \$29,000 and \$27,000, respectively. At April 30, 2019 and 2018, the Foundation owed the Society \$1,654 and \$819. Also, at April 30, 2019 and 2018, the Society owed the Foundation \$5,411 and \$5,577, respectively, for contributions collected on behalf of the Foundation.

Note 4. Investments

Cost and approximate market value of investment securities at April 30, 2019 and 2018 are as follows:

	2019		
	Gross Unrealized Cost	Gross Unrealized Gains	Approximate Market Value
Equity funds	\$ 383,587	\$ 252,526	\$ 636,113
Fixed income funds	386,199	-	382,565
	<u>\$ 769,786</u>	<u>\$ (3,634)</u>	<u>\$ 1,018,678</u>

	2018		
	Gross Unrealized Cost	Gross Unrealized Gains	Approximate Market Value
Equity funds	\$ 368,993	\$ 230,434	\$ 599,427
Fixed income funds	366,700	-	366,700
	<u>\$ 735,693</u>	<u>\$ (8,665)</u>	<u>\$ 966,127</u>

VSCPA Educational Foundation, Inc.

Notes to Financial Statements

April 30, 2019

Note 4. Investments (continued)

Investment income and gains and losses on investments for the years ended April 30, 2019 and 2018 are as follows:

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Dividend and interest income	\$ 5,433	\$ 22,626	\$ 28,059
Net gains on investments	3,378	23,745	27,123
	8,811	46,371	55,182
Administrative allocation	9,017	(9,017)	-
	<u>\$ 17,828</u>	<u>\$ 37,354</u>	<u>\$ 55,182</u>

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Dividend and interest income	\$ 2,715	\$ 20,134	\$ 22,849
Net gains on investments	4,491	43,927	48,418
	7,206	64,061	71,267
Administrative allocation	8,950	(8,950)	-
	<u>\$ 16,156</u>	<u>\$ 55,111</u>	<u>\$ 71,267</u>

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

Note 5. Endowment Funds

The Financial Accounting Standards Board issued guidance, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds*, now codified in ASC Topic 958, Subtopic 205, Section 45 (ASC 958-205-45). ASC 958-205-45 provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). ASC 958-205-45 also requires additional disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds) whether or not the organization is subject to UPMIFA.

VSCPA Educational Foundation, Inc.

Notes to Financial Statements

April 30, 2019

Note 5. Endowment Funds (continued)

Interpretation of relevant law

The Foundation has interpreted the Commonwealth of Virginia Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies the following as net assets with donor restrictions (a) the original value of gifts donated to the endowment in perpetuity, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (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 Foundation, and (7) the Foundation's investment policies.

Investment return objectives, risk parameters, and strategies

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds, while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a diversified asset mix, which includes equity and fixed securities that are intended to result in a consistent inflation-protected rate of return. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending policy

Annual scholarship amounts are stipulated in the Endowment Gift Agreements and shall be paid from a fund's total return, net of reasonable administrative fees and expenses. If a fund's accumulated total return is insufficient in any year to pay the award stipulated in the gift agreements, then the donor or the Foundation may contribute additional funds to award the scholarship.

Funds with deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. There were no such deficiencies as of April 30, 2019 or April 30, 2018.

VSCPA Educational Foundation, Inc.

Notes to Financial Statements

April 30, 2019

Note 5. Endowment Funds (continued)

Endowment Net Asset Composition by Type of Fund as of April 30, 2019 and 2018 are as follows:

	April 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Original donor-restricted gift amounts required to be maintained in perpetuity	\$ -	\$ 116,970	\$ 116,970
Accumulated investment gains	-	30,302	30,302
	<u>\$ -</u>	<u>\$ 147,272</u>	<u>\$ 147,272</u>

	April 30, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Original donor-restricted gift amounts required to be maintained in perpetuity	\$ -	\$ 116,470	\$ 116,470
Accumulated investment gains	-	29,672	29,672
	<u>\$ -</u>	<u>\$ 146,142</u>	<u>\$ 146,142</u>

VSCPA Educational Foundation, Inc.

Notes to Financial Statements

April 30, 2019

Note 5. Endowment Funds (continued)

Changes in Endowment Net Assets as of April 30, 2019 and 2018 are as follows:

	April 30, 2019		
	Without		
	Donor	With Donor	Total
	Restrictions	Restrictions	
Endowment net assets, beginning	\$ -	\$ 146,142	\$ 146,142
Contributions	-	500	500
Scholarships	-	(5,500)	(5,500)
Investment income	-	6,130	6,130
Endowment net assets, ending	\$ -	\$ 147,272	\$ 147,272

	April 30, 2018		
	Without		
	Donor	With Donor	Total
	Restrictions	Restrictions	
Endowment net assets, beginning	\$ -	\$ 141,514	\$ 141,514
Contributions	-	1,000	1,000
Scholarships	-	(5,500)	(5,500)
Investment income	-	9,128	9,128
Endowment net assets, ending	\$ -	\$ 146,142	\$ 146,142

Note 6. Fair Value Measurements

Financial accounting standards for fair value measurement define fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Current financial accounting standards establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under current financial accounting standards are described below:

Level 1. Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

VSCPA Educational Foundation, Inc.

Notes to Financial Statements

April 30, 2019

Note 6. Fair Value Measurements (continued)

Level 2. Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3. Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodology used for assets measured at fair value. There have been no changes in the methodologies used at April 30, 2019 and 2018:

Investments in marketable equity and fixed securities

Valued at the net asset value of shares held at year-end.

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

VSCPA Educational Foundation, Inc.

Notes to Financial Statements

April 30, 2019

Note 6. Fair Value Measurements (continued)

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of April 30, 2019 and 2018:

	April 30, 2019			
	Level 1	Level 2	Level 3	Total
Equity Domestic Fund	\$ 343,353	\$ -	\$ -	\$ 343,353
Fixed Income Domestic Fund	382,565	-	-	382,565
Equity Sector Fund	50,817	-	-	50,817
Equity International Fund	241,943	-	-	241,943
Total Investments at Fair Value	<u>\$ 1,018,678</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,018,678</u>

	April 30, 2018			
	Level 1	Level 2	Level 3	Total
Equity Domestic Fund	\$ 306,295	\$ -	\$ -	\$ 306,295
Fixed Income Domestic Fund	366,700	-	-	366,700
Equity Sector Fund	42,734	-	-	42,734
Equity International Fund	250,398	-	-	250,398
Total Investments at Fair Value	<u>\$ 966,127</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 966,127</u>

VSCPA Educational Foundation, Inc.

Notes to Financial Statements

April 30, 2019

Note 7. Net Assets With Donor Restrictions

As stated in Note 1, net assets with donor restrictions consist of contributions received from donors who have specified how the contribution will be utilized and contributions received from donors who have specified that the contributions be maintained in perpetuity by the Foundation.

Net assets with donor restrictions held for scholarships at April 30, 2019, were as follows:

Austin M. Cloyd, Matthew G. Gwaltney and Maxine S. Turner Doctoral Scholarship	\$ 73,087
CST Group, CPAs, PC Scholarship	71,588
Dixon Hughes Goodman Annual Scholarship	115,613
H. Burton Bates, Jr. Annual Scholarship	54,005
Kearney & Company Scholarship	15,144
Mares Scholars Fund	108,210
Murray, Jonson, White & Associates Annual Scholarship	120,729
Thomas M. Berry, Jr. Annual Scholarship	30,302
Verus Financial Partners	69,133
Wall, Einhorn & Chernitzer Annual Scholarship	64,549
Yount Hyde & Barbour Annual Scholarship	68,449
	<u>\$ 790,809</u>

Net assets with donor restrictions held in perpetuity at April 30, 2019 were are as follows:

Thomas M. Berry, Jr. Annual Scholarship	\$ 116,970
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VSCPA Educational Foundation, Inc.

Notes to Financial Statements

April 30, 2019

Note 8. Liquidity and Availability

The following reflects the Foundation's financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions or internal designations. The financial assets available to meet cash needs for general expenditures as of April 30, 2019 was as follows:

Cash and cash equivalents	\$ 296,141
Investments	1,018,678
Due from related party	5,411
Total financial assets	<u>1,320,230</u>
With donor restrictions:	
Purpose restricted	(790,809)
In perpetuity	<u>(116,970)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 412,451</u>

The Foundation has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. As part of its liquidity management, the Foundation holds a diversified portfolio of liquid assets including cash, money market funds, and mutual funds. Management and the Executive Committee regularly monitor liquidity needs of the Foundation.

VSCPA Educational Foundation, Inc.

Notes to Financial Statements

April 30, 2019

Note 9. Functional Allocation of Expenses

The cost of providing various programs and other activities has been summarized on a functional basis in the statement of activities and in the table below. Accordingly, certain categories of expenses are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses allocated are the in-kind contributions of personnel expenses. These are allocated based on the percentage of staff time spent in each program and supporting area. This allocation is determined using staff timesheets at the VSCPA which designate how much time on a daily basis is spent in each program and supporting area.

The functional expenses by nature is as follows:

	Program	Fundraising	Management and General	Total
Continuing education	\$ 70,000	\$ -	\$ -	\$ 70,000
Scholarships	58,500	-	-	58,500
In-kind personnel expenses	3,640	3,880	21,402	28,922
Administrative fees	1,258	1,342	7,400	10,000
Professional fees	-	-	9,875	9,875
Other expenses	-	3,423	3,812	7,235
Grants & sponsorships	5,000	-	-	5,000
	\$ 138,398	\$ 8,645	\$ 42,489	\$ 189,532

Note 10. Accounting for Uncertain Tax Positions

The Financial Accounting Standards Board issued guidance on accounting for uncertainty in income taxes. Management evaluated the Foundation's tax positions and concluded that the Foundation had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. With few exceptions, the Foundation is no longer subject to income tax examinations by the taxing authorities for years ending before April 30, 2015.

The Foundation includes penalties and interest assessed by income taxing authorities in administrative and general expenses. The Foundation did not have penalties and interest assessed by taxing authorities during the years ended April 30, 2019 and 2018.

Note 11. Subsequent Events

Management has evaluated subsequent events through August 26, 2019, the date which the financial statements were available for issue.