



VSCPA Educational Foundation, Inc.

Financial Statements

April 30, 2018

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, 2018, 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, 2018, 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 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 21, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended April 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Mitchell Wiggins

Richmond, Virginia
August 24, 2018

VSCPA Educational Foundation, Inc.

Statement of Financial Position

April 30, 2018, with Comparative Totals as of April 30, 2017

Assets	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	
				2018	2017
Cash and cash equivalents	\$ 305,931	\$ 20,103	\$ -	\$ 326,034	\$ 307,937
Pledges receivable	-	-	-	-	5,000
Due from related party	5,577	-	-	5,577	3,966
Investments	80,115	769,542	116,470	966,127	895,843
Prepaid expenses	854	-	-	854	1,708
Total assets	\$ 392,477	\$ 789,645	\$ 116,470	\$ 1,298,592	\$ 1,214,454
Liabilities and Net Assets					
Liabilities					
Due to related party	\$ 819	\$ -	\$ -	\$ 819	\$ 819
Total liabilities	819	-	-	819	819
Net assets	391,658	789,645	116,470	1,297,773	1,213,635
Total liabilities and net assets	\$ 392,477	\$ 789,645	\$ 116,470	\$ 1,298,592	\$ 1,214,454

See Notes to Financial Statements

VSCPA Educational Foundation, Inc.

Statement of Activities

Year Ended April 30, 2018, with Comparative Totals for the Year Ended April 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	<u>Totals</u>	
				2018	2017
Revenues					
Contributions	\$ 88,643	\$ 8,025	\$ 1,000	\$ 97,668	\$ 66,569
In-kind support	27,030	-	-	27,030	20,790
Continuing education	105,000	-	-	105,000	95,000
Investment income	16,156	55,111	-	71,267	84,806
Net assets released from restrictions, satisfaction of program restrictions	38,500	(38,500)	-	-	-
Total revenue	275,329	24,636	1,000	300,965	267,165
Expenses					
Program					
Continuing education	105,000	-	-	105,000	95,000
Scholarships	57,778	-	-	57,778	53,541
Grants and sponsorships	5,387	-	-	5,387	5,354
Fundraising	10,008	-	-	10,008	8,844
General and administrative	38,654	-	-	38,654	33,706
Total expenses	216,827	-	-	216,827	196,445
Change in net assets	58,502	24,636	1,000	84,138	70,720
Net assets, beginning	333,156	765,009	115,470	1,213,635	1,142,915
Net assets, ending	\$ 391,658	\$ 789,645	\$ 116,470	\$ 1,297,773	\$ 1,213,635

See Notes to Financial Statements

VSCPA Educational Foundation, Inc.

Statement of Cash Flows
Year Ended April 30, 2018

Cash Flows from Operating Activities	
Change in net assets	\$ 84,138
<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	(34,830)
Realized gain on investments	(13,588)
<i>Changes in operating assets</i>	
Pledges receivable	5,000
Due from related party	(1,611)
Prepaid expenses	854
<i>Changes in operating liabilities</i>	
Due to related party	-
Net cash and cash equivalents provided by operating activities	<u>39,963</u>
Cash Flows from Investing Activities	
Purchase of investment securities	(62,000)
Proceeds of investment securities	40,134
Net cash and cash equivalents (used in) investing activities	<u>(21,866)</u>
Net change in cash and cash equivalents	18,097
Cash and cash equivalents, beginning	<u>307,937</u>
Cash and cash equivalents, ending	<u>\$ 326,034</u>

See Notes to Financial Statements

VSCPA Educational Foundation, Inc.

Notes to Financial Statements

April 30, 2018

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 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 is 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.

VSCPA Educational Foundation, Inc.

Notes to Financial Statements

April 30, 2018

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

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.

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 collectability 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, 2018 or 2017.

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.

VSCPA Educational Foundation, Inc.

Notes to Financial Statements

April 30, 2018

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, 2017, for which the summarized information was derived.

Note 3. Pledges Receivable

Pledges receivable as of April 30, 2018 and 2017 represent unconditional promises to give. As of April 30, 2018 and 2017, there were no long-term pledges and, therefore, no discount has been applied. These pledges, primarily for scholarships, are expected to be collected as follows:

	2018	2017
Receivable in less than one year	\$ -	\$ 5,000
Receivable in one to five years	-	-
	<u>\$ -</u>	<u>\$ 5,000</u>

Note 4. Investments

Cost and approximate market value of investment securities at April 30, 2018 and 2017 are as follows:

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

	2017			
	Gross Unrealized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Approximate Market Value
Equity funds	\$ 382,571	\$ 186,835	\$ -	\$ 569,406
Fixed income funds	326,331	106	-	326,437
	<u>\$ 708,902</u>	<u>\$ 186,941</u>	<u>\$ -</u>	<u>\$ 895,843</u>

VSCPA Educational Foundation, Inc.

Notes to Financial Statements

April 30, 2018

Note 4. Investments (continued)

Investment income and gains and losses on investments for the years ended April 30, 2018 and 2017 are as follows:

	2018		
	Unrestricted	Temporarily Restricted	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>

	2017		
	Unrestricted	Temporarily Restricted	Total
Dividend and interest income	\$ 2,713	\$ 19,194	\$ 21,907
Net gains on investments	4,629	58,270	62,899
	7,342	77,464	84,806
Administrative allocation	8,640	(8,640)	-
	<u>\$ 15,982</u>	<u>\$ 68,824</u>	<u>\$ 84,806</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. 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 \$41,802 and \$41,675 for the years ended April 30, 2018 and 2017, 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, 2018 and 2017, the Society charged the Foundation \$10,000 for the cost of these services. As of April 30, 2018 and 2017, the in-kind support totaled approximately \$27,000 and \$21,000, respectively. At April 30, 2018 and 2017, the Foundation owed the VSCPA \$819. Also, at April 30, 2018 and 2017, the VSCPA owed the Foundation \$5,577 and \$3,966, respectively, for contributions collected on behalf of the Foundation.

VSCPA Educational Foundation, Inc.

Notes to Financial Statements

April 30, 2018

Note 6. 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.

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 as permanently restricted net assets (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 Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. 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

VSCPA Educational Foundation, Inc.

Notes to Financial Statements

April 30, 2018

Note 6. Endowment Funds (continued)

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, 2018 or April 30, 2017.

Endowment Net Asset Composition by Type of Fund as of April 30, 2018 and 2017 are as follows:

	April 30, 2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment Funds	\$ -	\$ 29,672	\$ 116,470	\$ 146,142

	April 30, 2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment Funds	\$ -	\$ 26,044	\$ 115,470	\$ 141,514

VSCPA Educational Foundation, Inc.

Notes to Financial Statements

April 30, 2018

Note 6. Endowment Funds (continued)

Changes in Endowment Net Assets as of April 30, 2018 and 2017 are as follows:

	April 30, 2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning	\$ -	\$ 26,044	\$ 115,470	\$ 141,514
Contributions	-	-	1,000	1,000
Scholarships	-	(5,500)	-	(5,500)
Investment expenses	-	(1,476)	-	(1,476)
Investment income	-	10,604	-	10,604
Endowment net assets, ending	\$ -	\$ 29,672	\$ 116,470	\$ 146,142

	April 30, 2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning	\$ -	\$ 19,637	\$ 115,470	\$ 135,107
Contributions	-	-	-	-
Scholarships	-	(5,000)	-	(5,000)
Investment expenses	-	(1,429)	-	(1,429)
Investment income	-	12,836	-	12,836
Endowment net assets, ending	\$ -	\$ 26,044	\$ 115,470	\$ 141,514

Note 7. 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, 2018

Note 7. 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 methodology used at April 30, 2018 and 2017:

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, 2018

Note 7. 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, 2018 and 2017:

	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	\$ 966,127	\$ -	\$ -	\$ 966,127

	April 30, 2017			
	Level 1	Level 2	Level 3	Total
Equity Domestic Fund	\$ 288,914	\$ -	\$ -	\$ 288,914
Fixed Income Domestic Fund	326,437	-	-	326,437
Equity Sector Fund	44,434	-	-	44,434
Equity International Fund	236,058	-	-	236,058
Total Investments at Fair Value	\$ 895,843	\$ -	\$ -	\$ 895,843

Note 8. Temporarily Restricted Net Assets

As stated in Note 1, temporarily restricted net assets consist of contributions received from donors who have specified how the contribution will be utilized. Temporarily restricted net assets at April 30, 2018, were as follows:

Austin M. Cloyd, Matthew G. Gwaltney and Maxine S. Turner Doctoral Scholarship	\$ 72,540
CST Group, CPAs, PC Scholarship	71,353
Dixon Hughes Goodman Annual Scholarship	115,290
H. Burton Bates, Jr. Annual Scholarship	53,754
Kearney & Company Scholarship	20,103
Mares Scholars Fund	107,699
Murray, Jonson, White & Associates Annual Scholarship	117,534
Thomas M. Berry, Jr. Annual Scholarship	29,672
Verus Financial Partners	68,999
Wall, Einhorn & Chernitzer Annual Scholarship	64,357
Yount Hyde & Barbour Annual Scholarship	68,344
	<u>\$ 789,645</u>

VSCPA Educational Foundation, Inc.

Notes to Financial Statements

April 30, 2018

Note 9. Permanently Restricted Net Assets

As stated in Note 1, permanently restricted net assets consist of contributions received from donors who have specified that the contributions be maintained permanently by the Foundation. Income from the permanently restricted net assets may be used to provide scholarships, and these earnings are included with temporarily restricted net assets. Permanently restricted net assets at April 30, 2018, were as follows:

Thomas M. Berry, Jr. Annual Scholarship	<u>\$ 116,470</u>
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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, 2018 and 2017.

Note 11. Subsequent Events

Management has evaluated subsequent events through August 24, 2018, the date which the financial statements were available for issue.