

SOCIETY OF LOUISIANA  
CERTIFIED PUBLIC ACCOUNTANTS  
AND RELATED ORGANIZATIONS

FINANCIAL STATEMENTS AND  
SUPPLEMENTAL INFORMATION  
FOR THE YEARS ENDED APRIL 30, 2017 AND 2016

SOCIETY OF LOUISIANA  
CERTIFIED PUBLIC ACCOUNTANTS  
AND RELATED ORGANIZATIONS  
APRIL 30, 2017 AND 2016

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## INDEPENDENT AUDITOR'S REPORT

June 2, 2017

To the Board of Directors and  
Members of the Society of Louisiana Certified  
Public Accountants and Related Organizations  
Kenner, Louisiana

We have audited the accompanying combined financial statements of the Society of Louisiana Certified Public Accountants and Related Organizations (a nonprofit organization) which comprise the combined statements of financial position as of April 30, 2017 and 2016 and the related combined statements of activities and cash flows for the years 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 combined 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 combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatement.

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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Society's preparation and fair presentation of the combined 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 Society'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 combined 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 combined financial statements referred to above present fairly, in all material respects, the financial position of the Society of Louisiana Certified Public Accountants and Related Organizations as of April 30, 2017 and 2016, and the changes in their net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The combined statements of functional revenues and expenses on pages 17 through 19 are presented for the purpose of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to underlying accounting and other records used to prepare the combined financial statements or to the combined 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 combined financial statements taken as a whole.

***Duplantier, Hrapmann, Hogan & Maher, LLP***

New Orleans, Louisiana

SOCIETY OF LOUISIANA CERTIFIED PUBLIC ACCOUNTANTS  
AND RELATED ORGANIZATIONS  
COMBINED STATEMENTS OF FINANCIAL POSITION  
APRIL 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>		
Current Assets:		
Cash and cash equivalents	\$ 1,355,485	\$ 1,500,429
Accounts receivable, net of allowance	13,528	30,822
Due from employees	10,642	-
Prepaid expenses	59,210	62,526
Total current assets	<u>1,438,865</u>	<u>1,593,777</u>
Investments at fair value:		
Society	1,126,290	1,039,633
Insurance Trust	105,449	90,630
Education Foundation	301,877	287,937
Total investments at fair value	<u>1,533,616</u>	<u>1,418,200</u>
Property and equipment:		
Leasehold improvements	14,755	14,755
Office furniture and equipment	587,937	574,007
Less accumulated depreciation and amortization	<u>(505,292)</u>	<u>(464,986)</u>
Property and equipment - net	<u>97,400</u>	<u>123,776</u>
 TOTAL ASSETS	 <u>\$ 3,069,881</u>	 <u>\$ 3,135,753</u>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES:		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 234,513	\$ 209,069
Deferred revenue	354,649	591,214
Total current liabilities	<u>589,162</u>	<u>800,283</u>
NET ASSETS:		
Unrestricted	2,072,607	1,955,450
Unrestricted - Board designated	173,650	161,377
Temporarily restricted	104,949	90,130
Permanently restricted	129,513	128,513
Total net assets	<u>2,480,719</u>	<u>2,335,470</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 3,069,881</u>	 <u>\$ 3,135,753</u>

The accompanying notes are an integral part of these financial statements.

SOCIETY OF LOUISIANA CERTIFIED PUBLIC ACCOUNTANTS  
AND RELATED ORGANIZATIONS  
COMBINED STATEMENTS OF ACTIVITIES  
FOR THE YEAR ENDED APRIL 30, 2017  
WITH COMPARATIVE TOTALS FOR 2016

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Eliminations</u>	2017 <u>Total</u>	2016 <u>Total</u>
Support and Revenues:						
Continuing professional education	\$ 2,271,613	\$ -	\$ -	\$ -	\$ 2,271,613	\$ 2,946,577
Member dues	1,299,155	-	-	-	1,299,155	1,313,686
Peer review firm fees and CART fees	282,845	-	-	-	282,845	333,269
Income (expense) from investments	132,277	15,319	-	-	147,596	(46,906)
In-house CPE courses	67,480	-	-	-	67,480	270,233
Royalty income	42,423	-	-	-	42,423	47,882
Reimbursements from chapters	8,521	-	-	-	8,521	3,364
Lagniappe ad sales	52,849	-	-	-	52,849	50,658
Education contributions	31	5,195	1,000	-	6,226	10,626
Miscellaneous	15,222	-	-	-	15,222	15,805
Application and late fees	8,950	-	-	-	8,950	7,230
Sale of publications	3,660	-	-	-	3,660	2,287
Grant revenue	-	-	-	-	-	12,000
Commission income	-	35,689	-	(35,689)	-	-
Net assets released from restrictions	41,384	(41,384)	-	-	-	-
Total support and revenue	<u>4,226,410</u>	<u>14,819</u>	<u>1,000</u>	<u>(35,689)</u>	<u>4,206,540</u>	<u>4,966,711</u>
Expenses:						
Program services:						
Continuing professional education	2,341,675	-	-	-	2,341,675	2,692,927
Member services	1,408,946	-	-	-	1,408,946	1,286,268
Peer review costs	269,823	-	-	-	269,823	283,175
Education foundation expense	19,620	-	-	-	19,620	15,300
Insurance trust expense	36,189	-	-	(35,689)	500	500
Supporting services:						
Administrative and general	20,727	-	-	-	20,727	131,771
Total expenses	<u>4,096,980</u>	<u>-</u>	<u>-</u>	<u>(35,689)</u>	<u>4,061,291</u>	<u>4,409,941</u>
Change in net assets	129,430	14,819	1,000	-	145,249	556,770
Net assets at beginning of year	<u>2,116,827</u>	<u>90,130</u>	<u>128,513</u>	<u>-</u>	<u>2,335,470</u>	<u>1,778,700</u>
NET ASSETS AT END OF YEAR	<u>\$ 2,246,257</u>	<u>\$ 104,949</u>	<u>\$ 129,513</u>	<u>\$ -</u>	<u>\$ 2,480,719</u>	<u>\$ 2,335,470</u>

The accompanying notes are an integral part of these financial statements.

SOCIETY OF LOUISIANA CERTIFIED PUBLIC ACCOUNTANTS  
AND RELATED ORGANIZATIONS  
COMBINED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED APRIL 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 145,249	\$ 556,770
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	50,304	63,211
Bad debt expense	1,852	731
Realized (gain) loss on sale of investments	(22,202)	119,082
Unrealized (gain) loss on investments	(84,198)	(31,941)
Dividends reinvested	(30,772)	(36,977)
(Gain) loss on disposal of equipment	459	3,060
Change in assets and liabilities:		
Accounts receivable	15,442	(6,643)
Due from employees	(10,642)	-
Prepaid expenses	3,316	(14,396)
Accounts payable and accrued liabilities	25,444	28,917
Deferred revenue	(236,565)	208,866
Net cash provided (used) by operating activities	<u>(142,313)</u>	<u>890,680</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of investments	(338,750)	(1,070,600)
Proceeds from redemption of investments	360,580	1,080,223
Payments for the purchase of equipment	(24,461)	(23,860)
Net cash used in investing activities	<u>(2,631)</u>	<u>(14,237)</u>
 Net change in cash and cash equivalents	(144,944)	876,443
 Cash and cash equivalents at beginning of year	<u>1,500,429</u>	<u>623,986</u>
 <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u><u>\$ 1,355,485</u></u>	<u><u>\$ 1,500,429</u></u>
 <b>SUPPLEMENTAL DISCLOSURE:</b>		
Interest paid	<u>\$ -</u>	<u>\$ -</u>
Taxes paid	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

SOCIETY OF LOUISIANA CERTIFIED PUBLIC ACCOUNTANTS  
AND RELATED ORGANIZATIONS  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
APRIL 30, 2017 AND 2016

ORGANIZATION:

The Society of Louisiana Certified Public Accountants (the Society) was incorporated in 1911 and is located in Kenner, Louisiana. The mission of the organization is to serve the common needs of its members and to enhance the professional environment in which they work. The membership includes approximately 7,862 Certified Public Accountants (CPAs), CPA licensee candidates, and students. The CPAs and CPA licensee candidates are primarily in Louisiana working in public practice, industry, government, and education. The primary sources of revenue to accomplish the purpose of the Society are membership dues and continuing professional education revenue.

The Society, through its Insurance Committee, maintains a trust to fund various types of group insurance and benefits for the Society's members who elect to participate, their employees and such employees' dependents. The Insurance Trust reimburses the Society for administrative services provided to members. The total amount reimbursed to the Society during the years ended April 30, 2017 and 2016 amounted to \$35,689 and \$37,564, respectively. The Insurance Trust has a reporting period as of April 30.

The Society also operates, through its Executive Committee, an Education Foundation. The Education Foundation has a reporting period of April 30. The objective of the Education Foundation is to promote accounting education and accounting careers to prospective CPAs, the public, and university faculty. The Education Foundation funds college scholarships for accounting students.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Accounting:

The Society and its related organizations recognize revenue and record expenses on the accrual basis of accounting. Under this method, revenue is recognized when earned and expenses are recorded when incurred.

The statements of activities present expenses of the Society and its related organizations operations functionally between program services and supporting services. Those expenses, which cannot be functionally categorized, are allocated between functions based upon management's estimate of usage applicable to conducting those functions.

Principles of Combination:

The financial statements include the accounts of the following related organizations: the Society of Louisiana Certified Public Accountants Insurance Trust (Trust) and the Louisiana Certified Public Accountants Education Foundation, Inc. (Foundation), which have been combined in accordance with FASB ASC 958-810-50.



SOCIETY OF LOUISIANA CERTIFIED PUBLIC ACCOUNTANTS  
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NOTES TO THE COMBINED FINANCIAL STATEMENTS  
APRIL 30, 2017 AND 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Basis of Presentation:

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC) 958-205, *Presentation of Financial Statements for Not-for Profit Entities*. Under ASC 958-205, the Society 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.

Cash and Cash Equivalents:

For the statement of cash flows, the Society considers cash on deposit, cash on hand, and money market funds with original maturities less than three months to be cash equivalents.

Accounts Receivable:

Accounts receivable are stated at cost less an allowance for doubtful accounts. Accounts are considered delinquent when 30 days past due (based on days since last payment). The allowance account consists of an estimate of uncollectible specifically identified accounts and a general reserve. Management's evaluation of the adequacy of the allowance is based on a continuing review of all accounts and includes a consideration of past member history, any adverse situations that might affect the member's ability to repay and current economic conditions. The need for an adjustment to the allowance is considered at year end. Amounts charged-off that are subsequently recovered are recorded as income.

Investments:

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values (based on quoted market prices) in the statement of financial position. These investment values fall under Level 1 of the fair value hierarchy as defined by FASB ASC 820-10-05. Other investments include securities of a non-subsiary corporation for which there is no readily determinable fair market value. This investment has been carried at cost written down to \$100 based on management's estimate of it having minimal or no value. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

SOCIETY OF LOUISIANA CERTIFIED PUBLIC ACCOUNTANTS  
AND RELATED ORGANIZATIONS  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
APRIL 30, 2017 AND 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Property and Equipment:

Property and equipment are recorded at cost. The policy of the Society is to capitalize assets with a value greater than \$500 and an economic life greater than one year. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the respective assets, generally ten years for office equipment, five years for leasehold improvements and automobiles, and three years for computer equipment and related software. Depreciation and amortization expense totaled \$50,304 and \$63,211 in 2017 and 2016, respectively.

Deferred Revenue:

Deferred revenue consists primarily of billings and payments received from annual membership dues, the peer review program, and registrants for continuing education seminars. The peer review program is billed on a calendar year basis with income recognized systematically over the same period. The deferred revenues and any related expenses from continuing education seminars are recognized as the seminars are held. Annual membership dues are recognized systematically over a twelve-month period.

Contributed Services:

During 2017 and 2016, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. In addition, many individuals volunteer their time and perform a variety of tasks that assist the organization.

Income Taxes:

The Society and Foundation are exempt from income taxes as entities described in Section 501(c)(6) and Section 501(c)(3), respectively, of the Internal Revenue Code. The Trust has no income subject to taxation. Therefore, no provision for income taxes has been made in the financial statements.

Unrelated business taxable income (UBTI) is derived from any activity that constitutes a trade or business that is regularly carried on and is not substantially related to the organization's tax-exempt purposes. During 2017 and 2016, the Society did not incur any income tax from UBTI.

Accounting standards provide detailed guidance for financial statement recognition, measurement, and disclosure of uncertain tax positions recognized in an entity's financial statements. It requires an entity to recognize the financial statement impact of a tax position when it is more likely than not that the position will be sustained upon examination. As of April 30, 2017 and 2016, the Society and its related organizations believe that they have no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. Tax returns typically remain subject to examination by the taxing authorities for five years.

SOCIETY OF LOUISIANA CERTIFIED PUBLIC ACCOUNTANTS  
AND RELATED ORGANIZATIONS  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Advertising, Public Information Expense, and Media Relations Expense:

The Society records the costs of all advertising, public information expense, and media relations expense in the periods in which the advertising, public information, or media relations occurs. Such costs amounted to \$7,415 and \$5,588 in 2017 and 2016, respectively.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 those estimates.

2016 Financial Information:

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended April 30, 2016, from which the summarized information was derived.

2. ACCOUNTS RECEIVABLE:

Accounts receivable consisted of the following as of April 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
CPE, Peer Review, CART	\$ 11,230	\$ 27,833
Other	3,298	3,989
Less: allowance	(1,000)	(1,000)
Accounts receivable, net of allowance	<u>\$ 13,528</u>	<u>\$ 30,822</u>

During the years ended April 30, 2017 and 2016, the Society recorded income of \$731 and \$764, respectively, from the recovery of bad debts written off in prior years. Adjustments to the provision for bad debts resulted in expense of \$1,852 for the year ended April 30, 2017 and expense in the amount of \$731 for the year ended April 30, 2016.

SOCIETY OF LOUISIANA CERTIFIED PUBLIC ACCOUNTANTS  
AND RELATED ORGANIZATIONS  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
APRIL 30, 2017 AND 2016

3. INVESTMENTS:

Investments consisted of the following as of April 30, 2017 and 2016:

April 30, 2017									
	Fair Value				Cost				
	Cash and CD's	Marketable Securities	Other	Total	Cash and CD's	Marketable Securities	Other	Total	Unrealized Appreciation/ (Depreciation)
Society	\$ -	\$ 1,126,190	\$ 100	\$ 1,126,290	\$ -	\$ 1,049,782	\$ 20,343	\$ 1,070,125	\$ 56,165
Trust	3,233	102,216	-	105,449	3,233	60,031	-	63,264	42,185
Foundation	-	301,877	-	301,877	-	289,721	-	289,721	12,156
	<u>\$ 3,233</u>	<u>\$ 1,530,283</u>	<u>\$ 100</u>	<u>\$ 1,533,616</u>	<u>\$ 3,233</u>	<u>\$ 1,399,534</u>	<u>\$ 20,343</u>	<u>\$ 1,423,110</u>	<u>\$ 110,506</u>

  

April 30, 2016									
	Fair Value				Cost				
	Cash and CD's	Marketable Securities	Other	Total	Cash and CD's	Marketable Securities	Other	Total	Unrealized Appreciation/ (Depreciation)
Society	\$ -	\$ 1,039,533	\$ 100	\$ 1,039,633	\$ -	\$ 1,027,675	\$ 20,343	\$ 1,048,018	\$ (8,385)
Trust	3,223	87,407	-	90,630	3,223	57,608	-	60,831	29,799
Foundation	-	287,937	-	287,937	-	287,175	-	287,175	762
	<u>\$ 3,223</u>	<u>\$ 1,414,877</u>	<u>\$ 100</u>	<u>\$ 1,418,200</u>	<u>\$ 3,223</u>	<u>\$ 1,372,458</u>	<u>\$ 20,343</u>	<u>\$ 1,396,024</u>	<u>\$ 22,176</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the years ended April 30, 2017 and 2016:

	April 30, 2017				April 30, 2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Interest and dividend income	\$ 38,764	\$ 2,432	\$ -	\$ 41,196	\$ 38,010	\$ 2,225	\$ -	\$ 40,235
Net realized and unrealized gains/(losses)	93,513	12,887	-	106,400	(86,508)	(633)	-	(87,141)
Total investment return (loss)	<u>\$ 132,277</u>	<u>\$ 15,319</u>	<u>\$ -</u>	<u>\$ 147,596</u>	<u>\$ (48,498)</u>	<u>\$ 1,592</u>	<u>\$ -</u>	<u>\$ (46,906)</u>

SOCIETY OF LOUISIANA CERTIFIED PUBLIC ACCOUNTANTS  
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NOTES TO THE COMBINED FINANCIAL STATEMENTS  
APRIL 30, 2017 AND 2016

4. CONCENTRATION OF CREDIT RISK:

The Society maintained cash accounts at a local bank during 2017 and 2016. The Federal Deposit Insurance Corporation (FDIC) provides insurance coverage up to \$250,000 in the aggregate, per financial institution. In the event of a failure of the bank, the FDIC is not obligated to pay uninsured deposits. At various times during 2017 and 2016, the Society had funds on deposit in excess of the insured amount. As of April 30, 2017 and 2016, the Society had bank balances in excess of insurance coverage of \$833,594 and \$1,009,220, respectively.

Investments represent a significant portion of total assets. Such investments are subject to interest rate and other risks including the possible loss of principal as reflected in the statement of financial position. Future changes in the financial markets could affect the future earnings from these investments.

5. LEASE COMMITMENTS:

The Kenner, Louisiana office is leased through April 30, 2019. This lease contains a provision for the escalation of the minimum lease rentals in the final two years of the lease based on increases in operating expenses. The Society also entered into a lease agreement through December 31, 2016 for an office in Baton Rouge, Louisiana. This lease was renewed for an additional year through December 31, 2017. The total rental expense associated with these leases for the fiscal years ended April 30, 2017 and 2016 was \$239,814 and \$238,351, respectively.

The Society has entered into a lease for a copy machine which expires in February 2019. The Society also entered into a lease for a postage machine that expires in April 2018. Total rent expense including maintenance for 2017 and 2016 was \$14,189 and \$13,940, respectively.

The total future minimum lease rentals relating to the Society's non-cancelable leases are as follows:

Year Ending <u>April 30,</u>	<u>Amount</u>
2018	\$ 230,479
2019	<u>212,905</u>
	<u>\$ 443,384</u>

6. UNRESTRICTED – BOARD DESIGNATED NET ASSETS:

The Foundation has designated investment income and unrealized gains (losses) on endowment assets for the purpose of awarding scholarships. As of April 30, 2017 and 2016, Board designated net assets totaled \$173,650 and \$161,377, respectively.

SOCIETY OF LOUISIANA CERTIFIED PUBLIC ACCOUNTANTS  
AND RELATED ORGANIZATIONS  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
APRIL 30, 2017 AND 2016

7. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets are available for the purpose of administering the Insurance Trust fund and for donations received for the purpose of awarding scholarships through the Foundation. Temporarily restricted net assets as of April 30, 2017 and 2016 were \$104,949 and \$90,130, respectively.

Net assets totaling \$41,384 and \$47,690 in 2017 and 2016, respectively, were released from temporary restrictions by incurring expenses satisfying the restricted purpose.

8. PERMANENTLY RESTRICTED NET ASSETS:

Permanently restricted net assets are restricted to investments in perpetuity, the income from which is expendable to support the purpose of scholarship awards. Students are selected to be given scholarships based on academic merit and achievement and an essay. They must be at least a fifth semester student enrolled in an accounting program in a Louisiana four-year college or university. Permanently restricted net assets related to this purpose amounted to \$129,513 and \$128,513 for the years ended April 30, 2017 and 2016, respectively.

9. ENDOWMENT ASSETS:

As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. Endowment fund assets consist of four separate funds. The principal investment of \$129,513 is permanently restricted. Investment income, unrealized gains or losses are Board designated for the purpose of awarding scholarships. Dues contributions from members are temporarily restricted until funds are released for the purpose of awarding scholarships. Permanently restricted contributions totaled \$1,000 for each of the years ended April 30, 2017 and 2016, respectively.

Interpretation of Relevant Law:

The Board of Trustees of the Foundation has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) 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 expenditures by the

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9. ENDOWMENT ASSETS: (Continued)

Interpretation of Relevant Law: (Continued)

organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, 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 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 Foundation

Financial Summary:

The following summarizes the financial activity for the Foundation for 2017 and 2016:

Changes in Foundation Endowment Net Assets  
for the Fiscal Year Ended April 30, 2017

	Unrestricted Board <u>Designated</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 161,377	\$ -	\$ 128,513	\$ 289,890
Investment return:				
Investment income	10,389	-	-	10,389
Net appreciation (realized and unrealized)	<u>16,278</u>	<u>-</u>	<u>-</u>	<u>16,278</u>
Total investment return	26,667	-	-	26,667
Contributions	31	5,195	1,000	6,226
Appropriation for investment fees	(2,970)	-	-	(2,970)
Appropriation of endowment assets for scholarships	<u>(11,455)</u>	<u>(5,195)</u>	<u>-</u>	<u>(16,650)</u>
Endowment net assets, end of year	<u>\$ 173,650</u>	<u>\$ -</u>	<u>\$ 129,513</u>	<u>\$ 303,163</u>

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9. ENDOWMENT ASSETS: (Continued)

Financial Summary:

Endowment Net Asset Composition by Type of Fund  
as of April 30, 2017

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ -	\$ 129,513	\$ 129,513
Board-designated endowment funds	<u>173,650</u>	<u>-</u>	<u>-</u>	<u>173,650</u>
Endowment net assets, end of year	<u>\$ 173,650</u>	<u>\$ -</u>	<u>\$ 129,513</u>	<u>\$ 303,163</u>

Changes in Foundation Endowment Net Assets  
for the Fiscal Year Ended April 30, 2016

	<u>Board Designated</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	<u>\$ 178,600</u>	<u>\$ -</u>	<u>\$ 127,513</u>	<u>\$ 306,113</u>
Investment return:				
Investment income	8,681	-	-	8,681
Net depreciation (realized and unrealized)	<u>(20,230)</u>	<u>-</u>	<u>-</u>	<u>(20,230)</u>
Total investment return	<u>(11,549)</u>	<u>-</u>	<u>-</u>	<u>(11,549)</u>
Contributions	-	9,626	1,000	10,626
Appropriation for investment fees	<u>(3,600)</u>	<u>-</u>	<u>-</u>	<u>(3,600)</u>
Appropriation of endowment assets for scholarships	<u>(2,074)</u>	<u>(9,626)</u>	<u>-</u>	<u>(11,700)</u>
Endowment net assets, end of year	<u>\$ 161,377</u>	<u>\$ -</u>	<u>\$ 128,513</u>	<u>\$ 289,890</u>



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9. ENDOWMENT ASSETS: (Continued)

Endowment Net Asset Composition by Type of Fund  
as of April 30, 2016

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ -	\$ 128,513	\$ 128,513
Board-designated endowment funds	<u>161,377</u>	<u>-</u>	<u>-</u>	<u>161,377</u>
Endowment net assets, end of year	<u>\$ 161,377</u>	<u>\$ -</u>	<u>\$ 128,513</u>	<u>\$ 289,890</u>

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 SPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets. These deficiencies may result from unfavorable market fluctuations occurring after the investment of new permanently restricted contributions and continued appropriation for scholarships that was deemed prudent by the Board of Trustees. There were no such deficiencies as of April 30, 2017 or 2016.

Return Objectives and Risk Parameters:

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to scholarships supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets may include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to preserve the principal of the endowment assets.

Strategies Employed for Achieving Objectives:

To satisfy its long-term rate-of-return objectives, the Foundation 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 Foundation targets a diversified asset allocation that places a greater emphasis on fixed-based investments to achieve its long-term return objectives within prudent risk constraints.

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9. ENDOWMENT ASSETS: (Continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy:

The Foundation has a policy of appropriating for distribution each year the members' contribution and the investment earnings for the year. Accordingly, over the long-term, the Foundation expects the current spending policy to allow for preservation of the principal.

10. PENSION PLAN:

Substantially all Society employees meeting certain minimum service and age requirements are covered by a defined contribution plan and are 100% vested upon entrance into the plan after these eligibility requirements are met. The Society's contribution to the plan is calculated as 10% of the eligible employee's compensation. The eligible employees are also allowed to make contributions to the plan up to a maximum of 15% of their compensation. Plan funding is made in accordance with the provisions of the plan. The Society contributed \$99,135 and \$106,831 in 2017 and 2016, respectively.

11. SUBSEQUENT EVENTS:

Management of the Society has evaluated subsequent events through June 2, 2017, the date which the financial statements were available to be issued. No subsequent events were noted.

12. RECLASSIFICATION:

Certain amounts in 2016 have been reclassified to conform to the current year presentation.

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	2017								2017 Total	2016 Total
	Society				Society Total	Insurance Trust	Education Foundation	Eliminations		
	Member Services	Continuing Professional Education	Peer Review	Administrative and General						
Support and revenues:										
Continuing professional education	\$ -	\$ 2,271,613	\$ -	\$ -	\$ 2,271,613	\$ -	\$ -	\$ -	\$ 2,271,613	\$ 2,946,577
Member dues	1,299,155	-	-	-	1,299,155	-	-	-	1,299,155	1,313,686
Peer review firm fees and CART fees	-	-	282,845	-	282,845	-	-	-	282,845	333,269
Unrealized gain (loss) on investments	19,949	40,502	-	-	60,451	12,887	10,860	-	84,198	31,941
In-house CPE courses	-	67,480	-	-	67,480	-	-	-	67,480	270,233
Royalty income	42,423	-	-	-	42,423	-	-	-	42,423	47,882
Income (expense) from investments	12,193	30,256	2,710	-	45,159	2,432	15,807	-	63,398	(78,847)
Reimbursements from chapters	8,521	-	-	-	8,521	-	-	-	8,521	3,364
Lagniappe ad sales	52,849	-	-	-	52,849	-	-	-	52,849	50,658
Education contributions	-	-	-	-	-	-	6,226	-	6,226	10,626
Miscellaneous	14,307	915	-	-	15,222	-	-	-	15,222	15,805
Application and late fees	8,950	-	-	-	8,950	-	-	-	8,950	7,230
Sale of publications	3,660	-	-	-	3,660	-	-	-	3,660	2,287
Grant revenue	-	-	-	-	-	-	-	-	-	12,000
Commission income	-	-	-	-	-	35,689	-	(35,689)	-	-
Total support and revenues	<u>1,462,007</u>	<u>2,410,766</u>	<u>285,555</u>	<u>-</u>	<u>4,158,328</u>	<u>51,008</u>	<u>32,893</u>	<u>(35,689)</u>	<u>4,206,540</u>	<u>4,966,711</u>

(Continued)

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	2017								2017 Total	2016 Total
	Society				Society Total	Insurance Trust	Education Foundation	Eliminations		
	Member Services	Continuing Professional Education	Peer Review	Administrative and General						
Expenses:										
Continuing professional education	\$ -	\$ 1,315,660	\$ -	\$ -	\$ 1,315,660	\$ -	\$ -	\$ -	\$ 1,315,660	\$ 1,485,506
Salaries	612,392	391,529	-	-	1,003,921	-	-	-	1,003,921	1,077,469
Rent - office space	79,139	146,286	-	14,389	239,814	-	-	-	239,814	238,351
Employee benefits	130,615	83,508	-	-	214,123	-	-	-	214,123	219,644
Travel and meeting	173,775	67,579	-	-	241,354	-	-	-	241,354	197,632
Postage and freight	32,954	30,420	-	-	63,374	-	-	-	63,374	79,784
Professional fees	46,453	42,879	-	-	89,332	500	2,970	-	92,802	101,141
Peer review CART expenses	-	-	267,308	-	267,308	-	-	-	267,308	280,014
Public information and media relations	7,415	-	-	-	7,415	-	-	-	7,415	5,588
Payroll taxes	48,422	30,959	-	-	79,381	-	-	-	79,381	83,702
Office supplies	12,670	11,695	-	-	24,365	-	-	-	24,365	24,265
Miscellaneous	18,587	17,157	-	-	35,744	-	-	-	35,744	39,371
Service charges	63,980	59,059	-	-	123,039	-	-	-	123,039	170,069
Publications expense	6,952	6,417	-	-	13,369	-	-	-	13,369	10,838
Lagniappe publication expense	43,821	-	-	-	43,821	-	-	-	43,821	51,432
Telephone	21,445	19,796	-	-	41,241	-	-	-	41,241	37,962
Rentals and maintenance of equipment	4,156	3,835	-	-	7,991	-	-	-	7,991	8,967
Chapter function expenses	16,002	-	-	-	16,002	-	-	-	16,002	4,755
In-house CPE courses	-	42,575	-	-	42,575	-	-	-	42,575	93,249
Dues - Chapters' portion	26,452	-	-	-	26,452	-	-	-	26,452	26,521
Insurance	11,490	10,607	-	-	22,097	-	-	-	22,097	23,326
Scholarships	-	-	-	-	-	-	16,650	-	16,650	11,700
Computer services	25,453	26,560	-	3,320	55,333	-	-	-	55,333	53,535
Dues to associations	6,475	5,977	-	-	12,452	-	-	-	12,452	15,715
Awards	4,245	-	-	-	4,245	-	-	-	4,245	3,134
Overhead reimbursement	-	-	-	-	-	35,689	-	(35,689)	-	-
Loss on sale of assets	459	-	-	-	459	-	-	-	459	3,060
Total expenses before depreciation and amortization	1,393,352	2,312,498	267,308	17,709	3,990,867	36,189	19,620	(35,689)	4,010,987	4,346,730

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	2017									
	Society									
	Continuing		Administrative							
	Member	Professional	Peer	and	Society	Insurance	Education		2017	2016
	Services	Education	Review	General	Total	Trust	Foundation	Eliminations	Total	Total
Expenses: (Continued)										
Depreciation and amortization	15,594	29,177	2,515	3,018	50,304	-	-	-	50,304	63,211
Total expenses	<u>1,408,946</u>	<u>2,341,675</u>	<u>269,823</u>	<u>20,727</u>	<u>4,041,171</u>	<u>36,189</u>	<u>19,620</u>	<u>(35,689)</u>	<u>4,061,291</u>	<u>4,409,941</u>
TOTAL CHANGE IN NET ASSETS	<u>\$ 53,061</u>	<u>\$ 69,091</u>	<u>\$ 15,732</u>	<u>\$ (20,727)</u>	<u>\$ 117,157</u>	<u>\$ 14,819</u>	<u>\$ 13,273</u>	<u>\$ -</u>	<u>\$ 145,249</u>	<u>\$ 556,770</u>