THE VIRGINIA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS AND AFFILIATES

CONSOLIDATED FINANCIAL REPORT

April 30, 2023

CONTENTS

BROWN EDWARDS
certified public accountants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
The Virginia Society of Certified Public
Accountants and Affiliates
Glen Allen, Virginia

Opinion

We have audited the accompanying consolidated financial statements of The Virginia Society of Certified Public Accountants and Affiliates (VSCPA Educational Foundation, Inc. and The Virginia Society of Certified Public Accountants' Political Action Committee), (the "Organization"), which comprise the consolidated statement of financial position as of April 30, 2023, the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively, the consolidated financial statements).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization, as of April 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Other Matter

As discussed in Note 2 to the consolidated financial statements, the Organization adopted FASB ASC 842, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's abilities to continue as a going concern for a reasonable period of time.

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

Brown, Edwards & Company, S. L. P.

CERTIFIED PUBLIC ACCOUNTANTS

Glen Allen, Virginia
August 22, 2023

THE VIRGINIA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS AND AFFILIATES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
April 30, 2023

ASSETS		
Cash and cash equivalents	$	1,058,720
Accounts receivable		
Trade		46,429
Other		12,223
Marketable investments		4,706,219
Prepaid expenses		189,999
Right-of-use assets - operating leases		44,015
Property and equipment, net		2,217,107
Total assets	$	8,274,712
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	$	14,854
Accrued expenses		260,594
Deferred compensation		511,380
Deferred revenue		637,236
Accrued retirement		160,333
Operating lease liabilities		44,015
Total liabilities		1,628,412
NET ASSETS		
Without donor restrictions		
Invested in property and equipment		2,217,107
Board designated for reserves		1,856,070
Undesignated		1,466,881
Total without donor restrictions		5,540,058
With donor restrictions		1,106,242
Total net assets		6,646,300
Total liabilities and net assets	$	8,274,712

The Notes to Consolidated Financial Statements are an integral part of this statement.

THE VIRGINIA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS AND AFFILIATES

CONSOLIDATED STATEMENT OF ACTIVITIES
Year Ended April 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Totals
REVENUES			
Program Revenue:			
Membership	$ 2,420,846	$ -	$ 2,420,846
Learning	2,383,946	-	2,383,946
Peer Review	332,995	-	332,995
Communications	57,105	-	57,105
Students and educators	21,900	-	21,900
Innovation	1,550	-	1,550
Contributions - Education Foundation	40,770	7,070	47,840
Contributions - PAC	55,128	-	55,128
Excess of fair value of net assets acquired over consideration paid in acquisition of VSCPA Educational Foundation, Inc.	505,346	1,085,589	1,590,935
Net assets released from restriction	43,662	(43,662)	-
Total program revenue	5,863,248	1,048,997	6,912,245
Other Revenue:			
Affinity income	202,695	-	202,695
Miscellaneous	37,536	-	37,536
Rental income	24,997	-	24,997
Investment income (loss), net	5,368	(3,223)	2,145
Total other revenue	270,596	(3,223)	267,373
Total support and revenues	6,133,844	1,045,774	7,179,618
EXPENSES			
Program services:			
Learning	2,306,464	-	2,306,464
Membership	1,020,344	-	1,020,344
Governance	432,922	-	432,922
Government affairs	295,789	-	295,789
Innovation	277,823	-	277,823
Peer review	242,320	-	242,320
Student & educators	166,537	-	166,537
Public relations	10,641	-	10,641
VSCPA Education Foundation	59,250	-	59,250
VSCPA PAC	58,040	-	58,040
Supporting services:			
Administrative and general	1,018,026	-	1,018,026
Fundraising	2,482	-	2,482
Total expenses	5,890,638	-	5,890,638
Change in net assets	243,206	1,045,774	1,288,980
NET ASSETS			
Beginning	5,296,852	60,468	5,357,320
Ending	$ 5,540,058	$ 1,106,242	$ 6,646,300

The Notes to Consolidated Financial Statements are an integral part of this statement.

THE VIRGINIA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS AND AFFILIATES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended April 30, 2023

	Program											Supporting Services		
	Learning	Membership	Governance	Government Affairs	Innovation	Peer Review	Student & Educator	Public Relations	VSCPA Education Foundation	VSCPA PAC	Total Program	Administrative and General	Fundraising	Totals
Salaries	$ 771,246	$ 499,483	$ 232,225	$ 107,354	$ 154,900	$ 49,298	$ 83,080	$ 4,004	$ -	$ -	$ 1,901,590	$ 600,831	$ -	$ 2,502,421
Direct program expense	1,018,846	186,441	45,215	116,558	19,213	160,015	27,831	3,957	-	-	1,578,076	-	-	1,578,076
Employee benefit/payroll costs	172,619	111,794	51,976	24,028	34,669	11,034	18,595	896	-	-	425,611	134,477	-	560,088
Technology expense	170,694	110,547	51,397	23,760	34,283	10,911	18,388	886	-	-	420,866	132,977	-	553,843
Occupancy and Equipment expense	101,554	65,769	30,578	14,136	20,396	6,491	10,940	527	-	-	250,391	79,114	-	329,505
Bank/credit card fees	37,760	24,455	11,370	5,256	7,584	2,414	4,068	196	-	-	93,103	29,416	-	122,519
Professional fees	22,898	14,830	6,895	3,187	4,599	1,464	2,467	119	-	-	56,459	28,064	-	84,523
Scholarships	-	-	-	-	-	-	-	-	59,250	-	59,250	-	-	59,250
Political contributions	-	-	-	-	-	-	-	-	-	51,750	51,750	-	-	51,750
Other administration	10,390	6,729	3,128	1,446	2,087	664	1,119	54	-	4,000	29,617	8,092	-	37,709
Other expenses	457	296	138	64	92	29	49	2	-	2,290	3,417	5,055	2,482	10,954
	$ 2,306,464	$ 1,020,344	$ 432,922	$ 295,789	$ 277,823	$ 242,320	$ 166,537	$ 10,641	$ 59,250	$ 58,040	$ 4,870,130	$ 1,018,026	$ 2,482	$ 5,890,638

The Notes to Consolidated Financial Statements are an integral part of this statement.

THE VIRGINIA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS AND AFFILIATES

CONSOLIDATED STATEMENT OF CASH FLOWS
Year Ended April 30, 2023

OPERATING ACTIVITIES	
Change in net assets	$ 1,288,980
Adjustments to reconcile to net cash provided by operating activities	
Depreciation	258,699
Net realized and unrealized loss on investments	95,872
Amortization of right of use asset-operating lease	20,473
Excess of fair value of net assets acquired over consideration paid in acquisition of VSCPA Educational Foundation, Inc.	(1,590,935)
Decrease (increase) in operating assets:	
Trade accounts receivable	(1,381)
Other receivables	95,274
Prepaid expenses	3,425
Increase (decrease) in operating liabilities:	
Accounts payable	(26,297)
Accrued expenses	(33,842)
Deferred compensation	65,203
Deferred revenue	1,833
Accrued retirement	(37,385)
Operating lease liabilities	(20,473)
Net cash and cash equivalents provided by operating activities	119,446
INVESTING ACTIVITIES	
Purchase of property and equipment	(195,895)
Purchase of certificates of deposits and investments	(1,859,107)
Proceeds from sale of investments	1,062,424
Cash from VSCPA Educational Foundation, Inc.	344,705
Net cash and cash equivalents used in investing activities	(647,873)
Net decrease in cash and cash equivalents	(528,427)
CASH AND CASH EQUIVALENTS	
Beginning	1,587,147
Ending	$ 1,058,720
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITES	
Adoption of FASB ASC 842	
Right-of-use assets – operating leases	$ 64,488
Operating lease liabilities incurred	(64,488)
Cash paid to acquire right-of-use asset	$ -

The Notes to Consolidated Financial Statements are an integral part of this statement.

Note 1. Organization and Nature of Activities

The Virginia Society of Certified Public Accountants (Society) is the registered trade name of The Virginia Society of Public Accountants, Incorporated, a nonprofit organization formed in Virginia in 1909 to enhance the success of Certified Public Accountants (CPAs) and their profession by communicating information and vision, promoting professionalism and advocating members' interests. The VSCPA membership consists of more than 12,750 individual CPAs and accounting professionals who actively work in public accounting, private industry, government agencies or at educational institutions. The Society is primarily supported through membership dues and continuing education program fees.

The 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.

The Society has a political action committee called ***The Virginia Society of Certified Public Accountants' Political Action Committee*** (VSCPA PAC), which has been consolidated in these financial statements. There were no significant transactions between the Society and the VSCPA PAC. The purpose of the VSCPA PAC is to advocate for the CPA profession in Virginia by providing direct financial contributions to candidates and legislators who support CPA interests. The VSCPA PAC is not affiliated with any specific political party and shall not engage in any lobbying activities.

Note 2. Summary of Significant Accounting Policies

Principles of consolidation

The consolidated financial statements include the accounts of the Society, the Foundation, and the VSCPA PAC because the Society has both control and economic interest in both the Foundation and VSCPA PAC. All significant intercompany accounts and transactions have been eliminated in consolidation. Unless otherwise noted, these consolidated entities are hereinafter referred to as "the Organization."

The Foundation was not included in the consolidated financial statements prior to May 1, 2022 as it was not under common control until the Society Board was appointed as the VSCPA Educational Foundation's Board. On May 1, 2022, Foundation assets including cash of $344,705, investments of $1,239,670, prepaids of $1,098, and a net due from related party of $5,462 in excess of its liabilities of $0 were contributed for $0 consideration from the Society resulting in an increase in revenues on the consolidated statement of activities of $1,590,935, of which $505,346 was without donor restriction and $1,085,589 was with donor restriction.

Note 2. Summary of Significant Accounting Policies (Continued)

Basis of presentation

Under current accounting standards generally accepted in the United States of America, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. The financial statements report amounts separately by class of assets as follows:

Net Assets Without Donor Restrictions - Net assets including both board designated and other funds that are not subject to donor restrictions. They include revenue and expenses used currently for the general operations of the Organization. The Board of Directors has designated, from net assets without donor restrictions, net assets for a reserve fund. General contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the donor restrictions expire in the fiscal year in which the contributions are recognized.

Net Assets With Donor Restrictions - Net assets including amounts subject to donor imposed restrictions and income earned on restricted assets. When a donor restriction expires either with the passage of time or by actions of the Organization, these net assets are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restriction.

Net assets with donor restrictions are comprised of contributions and earnings on restricted assets to the Foundation and the VSCPA PAC and are used for scholarships and the operations of the political action committee. Some donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Concentration of credit risk

The Organization's financial assets potentially subject to credit risk include cash and cash equivalents, investments, and trade receivables. At times, the Organization may have cash and cash equivalents at a financial institution in excess of insured limits. The Organization places its cash and cash equivalents with a financial institution whose credit rating is monitored by management to minimize the concentration of credit risk. Management periodically evaluates the Organization's investments. Receivables are due from business entities and individuals and are not concentrated in any one group or geographic location.

Cash and cash equivalents

The Organization 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. As of April 30, 2023, cash of $53,811 is with donor restrictions for the VSCPA PAC.

Note 2. Summary of Significant Accounting Policies (Continued)

Trade accounts receivable

The Organization extends unsecured credit to its customers in the ordinary course of business but mitigates the associated credit risk by performing credit checks and actively pursuing past due accounts. Trade accounts receivable are due 30 days after the issuance of the invoice. The Organization does not charge interest on past due receivables. Trade accounts receivable are charged off to bad debts using the direct write-off method when the accounts are considered uncollectible. If the reserve method of accounting for uncollectible accounts was used, it would not have a materially different effect on the consolidated financial statements.

Property and equipment

Property and equipment are recorded at cost. All items costing $1,000 and above are capitalized. Depreciation is based on estimated useful service lives and is computed on the straight-line method. Estimated useful lives for real property are forty to forty-five years; all other asset lives range from two to fifteen years. Maintenance and repairs are charged to expense in the period in which they occur, but renewals and betterments are capitalized.

Investments

Investments consist of equity securities, debt securities, U.S. treasury notes, and brokered CDs. All investments are stated at approximate market value. The Organization considers unrealized and realized gains and losses on investments to be part of its operating activities. Dividends and interest are recorded as revenue when earned.

Income taxes

The Society is exempt from federal income taxes under Code Section 501(c)(6) of the Internal Revenue Code. The Foundation is exempt from federal income taxes under Code Section 501(c)(3) of Internal Revenue Code and is not classified as a Private Foundation. The Society and Foundation are subject to tax on any unrelated business income that they may generate. The VSCPA PAC is subject to tax on investment earnings.

Deferred revenue

Deferred revenue consists primarily of continuing education fees collected in advance of the course. Deferred revenue also consists of membership dues paid in advance and member overpayments or course cancellations to be applied to future courses.

(Continued)

Note 2. Summary of Significant Accounting Policies (Continued)

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 the disclosure of contingent assets and liabilities at the date of the financial statements. Such estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could vary from the estimates that were used.

Functional allocation of expenses

The cost of providing various programs and other activities has been summarized on a functional basis in the consolidated statements of activities and statements of functional expenses. 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 that are allocated include indirect expenses such as salaries and benefits, occupancy and equipment, technology, and professional fees. These are allocated based on the percentage of staff time spent in each program and supporting area. This allocation is determined using staff timesheets which designate how much time on a daily basis is spent in each program and supporting area.

Advertising

Advertising costs, which are expensed as incurred, was $1,500 for the year ended April 30, 2023.

Revenue recognition

The Organization has the following sources of revenue:

Affinity income – from time to time the Organization earns commissions/royalties for referrals through affinity programs with third-party vendors in support of the Organization's objectives. These commissions/royalties are both earned at a point in time when a sale is made to a member and over time in agreement with contracts made with vendors.

Learning – includes revenue from learning programs and is recognized at a point in time when services are rendered.

Innovation and communication – includes revenue from services provided by the Organizations and is recorded at a point in time when the benefit is received by the member.

Note 2. Summary of Significant Accounting Policies (Continued)

Revenue recognition (continued)

Peer review – includes revenue from the Organization's peer review monitoring practice. The revenues received from members who participate are recorded over time.

Membership dues – are recorded ratably over the membership period as benefits are consumed except for certain member engagement fees which are recorded at a point in time.

Rental income – the Organization rents space to members and non-members. Revenue is recognized when earned. Rental income is outside the scope of Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers.*

Contributions – the Organization receives contributions from donors to support its mission. Contributions are recorded in the period in which the promise to give is made in accordance with *ASC 958-605, Not-for-Profit Entities – Revenue Recognition*.

Total revenue recognized at a point in time was $2,613,331 and revenue recognized over time was $2,845,242 for the year ended April 30, 2023.

The Organization utilizes standardized dues rates approved by the Board of Directors on an annual basis. The membership arrangement is for the fiscal year. Dues are billed prior to the commencement of the contract year so a portion of the dues is collected in advance. The Organization had contract liabilities (deferred revenue) of $637,236 at April 30, 2023. Contract liabilities at May 1, 2022 were $635,403. Trade accounts receivable were $45,048 at May 1, 2022.

If the Organization's contracts included multiple performance obligations, the contract transaction price would be allocated on a relative standalone selling price (SSP) basis to each performance obligation. The Organization typically determines standalone selling price based on observable selling prices of services. Membership dues have multiple performance obligations, however, all are fully satisfied at the end of the fiscal year.

Adoption of FASB ASC 842

Effective May 1, 2022, the Organization adopted FASB ASC 842, *Leases*. The Organization determines if an arrangement contains a lease at inception based on whether the Organization has the right to control the asset during the contract period and other facts and circumstances. The Organization elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed it to carry forward the historical lease classification.

The adoption of FASB ASC 842 resulted in the recognition of right-of-use-assets of $64,488 and operating lease liabilities of $64,488 during the year ended April 30, 2023. Results for periods beginning prior to May 1, 2022 continue to be reported in accordance with the Organization's historical accounting treatment. The adoption of FASB ASC 842 did not have a material impact on the Organization's results of operations or cash flows. See Note 9.

Note 3. Liquidity and Availability

The following reflects the Organization's financial assets as of the balance sheet date, reduced by amounts not available for general use within one year of the balance sheet date because of contractual or donor-imposed restrictions or internal designations. Amounts not available include amounts set aside by the board in reserves that could be drawn upon if the board approves that action.

Cash and cash equivalents	$1,058,720
Marketable investments	4,706,219
Trade and other accounts receivable	58,652
Total current financial assets	5,823,591
Board designations:	
Reserves	(1,856,070)
With donor restrictions:	
Purpose restricted	(989,272)
In perpetuity	(116,970)
Deferred compensation plan	(511,380)
Financial assets available to meet cash needs for general expenditures within one year	$2,349,899

Of the total financial assets $1,856,070 is subject to board designations that make them unavailable for general expenditure within one year of the statement of financial position date without board approval at April 30, 2023. These designations are in place in order to ensure the Organization's ongoing and future viability to achieve its mission. The designated funds include:

A Reserve Fund whose purpose is to provide for the Society's major technology or strategic initiatives and/or facility needs as well as withstand the impact of economic downturns.

In addition, of the total financial assets $511,380 is unavailable for general expenditure and is set aside subject to a deferred compensation plan for the benefit of a current key employee at April 30, 2023.

The Society has a policy to maintain financial assets, which consists of cash and short-term investments, on hand to meet at least 35% of the previous year's total operating expenses.

The Organization 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 Organization invests cash in excess of daily requirements in various short-term investments, including brokered CDs, money market instruments, and high-quality, short-term fixed-income investments. In addition, up to 60% of the reserve fund and up to 40% of the general fund may be invested in equities, with a 10% variance in either direction.

(Continued)

Note 4. Investments

Cost and approximate market value of investment securities at April 30, 2023, is as follows:

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Approximate Market Value
Equity securities	$ 2,603,726	$ 254,406	$ (14,796)	$ 2,843,336
Brokered CDs	550,000	-	(757)	549,243
Fixed income funds	1,354,730	-	(41,090)	1,313,640
	$ 4,508,456	$ 254,406	$ (56,643)	$ 4,706,219

Investment income (loss), net for the year ended April 30, 2023 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Dividend and interest income	$ 103,613	$ 12,773	$ 116,386
Net realized and unrealized loss on investments	(84,949)	(10,923)	(95,872)
Investment fees	(13,296)	(5,073)	(18,369)
	$ 5,368	$ (3,223)	$ 2,145

Note 5. Fair Value Measurements

Financial accounting standards for fair value measurements 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 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 are described below:

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

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.

Note 5. Fair Value Measurements (Continued)

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 methodologies used for assets measured at fair value. There have been no changes in the methodologies used at April 30, 2023.

Equity securities: Valued at the closing price reported on the active market on with the individual securities are traded.

Fixed Income Funds: Value at the closing price reported on an active market on which similar securities are traded.

Brokered CDs: Valued based on current interest rates and years until maturity.

The methods 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 Organization 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.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of April 30, 2023:

	Level 1	Level 2	Level 3	Total
Equity securities	$ 2,843,336	$ -	$ -	$ 2,843,336
Brokered CDs	-	549,243	-	549,243
Fixed income funds	1,313,640	-	-	1,313,640
Total assets at fair value	$ 4,156,976	$ 549,243	$ -	$ 4,706,219

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.

<u>Interpretation of relevant law</u>

The Organization 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 Organization 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 Organization 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 Organization, and (7) the Organization's investment policies.

<u>Investment return objectives, risk parameters, and strategies</u>

The Organization 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.

<u>Spending policy</u>

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 Organization may contribute additional funds to award the scholarship.

(Continued)

Note 6. Endowment Funds (Continued)

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 Organization to retain as a fund of perpetual duration. There were no such deficiencies as of April 30, 2023.

Endowment Net Asset Composition by Type of Fund as of April 30, 2023 are as follows:

	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	-	29,729	29,729
	$ -	$ 146,699	$ 146,699

Changes in Endowment Net Assets as of April 30, 2023 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning	$ -	$ 153,188	$ 153,188
Scholarships	-	(6,000)	(6,000)
Investment loss	-	(489)	(489)
Endowment net assets, ending	$ -	$ 146,699	$ 146,699

Note 7. Net Assets with Donor Restrictions

As stated in Note 2, 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 Organization.

Net assets with donor restrictions held for scholarships at April 30, 2023 were as follows:

Austin M. Cloyd, Matthew G. Gwaltney, and Maxine S. Turner Doctoral Scholarship	$ 73,238
CST Group, CPAs, PC Scholarship	70,951
Curtis C. Duke & Dr. Ruth Coles Harris Scholarship	94,895
FORVIS Scholarship	113,919
H. Burton Bates, Jr. Scholarship	53,582
Michael E. Mares Scholarship	112,861
Murray, Johnson, White & Associates Scholarship	125,636
Samuel A. Derieux, CPA Memorial Scholarship	58,639
Thomas M. Berry, Jr. Scholarship	29,729
Verus Financial Partners Scholarship	67,988
Wall, Einhorn & Chernitzer Scholarship	62,996
Yount Hyde & Barbour Scholarship	67,275
	$ 931,709

Net assets with donor restrictions held for operations of the VSCPA PAC at April 30, 2023 were as follows:

VSCPA PAC	$ 57,563

Net assets with donor restrictions held in perpetuity as April 30, 2023 were as follows:

Thomas M. Berry, Jr. Scholarship	$ 116,970

Note 8. Property and Equipment

Property and equipment consisted of the following at April 30, 2023:

Land	$ 268,561
Building and improvements	2,825,594
Furniture and equipment	578,856
Computer hardware	201,592
Computer software	383,975
	4,258,578
Less – accumulated depreciation and amortization	(2,041,471)
	$ 2,217,107

(Continued)

Note 9. Lease - Lessee

The Organization leases office equipment under operating leases with various initial terms. Some leases include renewal options which can extend the initial lease term. The exercise of these renewal options is at the sole discretion of the Organization. Only lease renewal options that the Organization believes are reasonably certain to exercise are included in the measurement of the lease assets and liabilities.

While all of the agreements provide for minimum lease payments, some include variable payments based on usage and other factors. Variable payments are not determinable at the lease commencement and are not included in the measurement of the lease assets and liabilities. The lease agreements do not include any material residual value guarantees or restrictive covenants.

The components of operating lease expense that are included in operating expenses in the consolidated statement of activities for the year ended April 30, 2023, were as follows:

Operating lease cost	$ 24,794

The weighted average lease term and discount rate as of April 30, 2023, are as follows:

Weighted average remaining lease term	2.01 years
Weighted average discount interest rate	5.00%

The discount rates are generally based on estimates of the Organization's incremental borrowing rate, as the discount rates implicit in the Organization's leases cannot be readily determined.

The maturities of operating lease liabilities as of April 30, 2023, are as follows:

2024	$ 23,136
2025	21,441
2026	1,589
Total lease payments	46,166
Less: interest	(2,151)
Present value of lease liabilities	$ 44,015

Note 10. Retirement Benefits

The Organization has a salary deferral plan under Section 401(k) of the Internal Revenue Code for eligible employees. Under the plan, an employee may enter the plan on the first day of the month following completion of 1 year of service and attainment of age 21. Elective deferrals are limited to those established annually by the federal government. The Organization has the option under the plan to provide matching contributions and/or non-elective discretionary contributions. The Organization's discretionary contributions to the plan was $153,333 for the year ended April 30, 2023.

Note 11. Deferred Compensation

The Organization established a deferred compensation plan for the benefit of a current key employee effective September 1, 2018. Commencing on April 30, 2019, and on an annual basis thereafter, the Organization will contribute to the plan a discretionary amount of not less than $62,200. The current key employee becomes 50% vested on April 30, 2027, and fully vested on April 30, 2028, or in the event of termination of employment due to disability, death, involuntarily without cause, or for good reason as defined in the agreement. The plan assets that are reported with the Organization's investments are reported at fair market value. The amounts that are due to the participant are shown as an equal and offsetting liability. The Organization awarded $62,200 of deferred compensation to a key employee for the year ended April 30, 2023.

Note 12. Accounting for Uncertain Tax Positions

The Financial Accounting Standards Board issued guidance on accounting for uncertainty in income taxes. Management evaluated the Organization's tax positions and concluded that the Organization had taken no uncertain tax positions that require adjustment to the consolidated financial statements to comply with the provisions of this guidance. With few exceptions, the Organization is no longer subject to income tax examinations by the taxing authorities for years ending before April 30, 2020.

The Organization includes penalties and interest assessed by income taxing authorities in administrative and general expenses. The Organization did not have penalties and interest relating to income taxes for the year ended April 30, 2023.

Note 13. Subsequent Events

Management has evaluated subsequent events through August 22, 2023, the date, which the consolidated financial statements were available for issue.