

***The Virginia Society of Certified  
Public Accountants and  
The Virginia Society of Certified Public Accountants'  
Political Action Committee***

***Consolidated Financial Statements***

***Years Ended April 30, 2019 and 2018***



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***The Virginia Society of Certified Public Accountants and  
The Virginia Society of Certified Public Accountants' Political Action Committee***

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## ***Independent Auditor's Report***

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

### ***Report on the Consolidated Financial Statements***

We have audited the accompanying consolidated financial statements of ***The Virginia Society of Certified Public Accountants and The Virginia Society of Certified Public Accountants' Political Action Committee***, which comprise the consolidated statements of financial position as of April 30, 2019 and 2018, the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, 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 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 financial statements are free of 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 ***The Virginia Society of Certified Public Accountants and The Virginia Society of Certified Public Accountants' Political Action Committee***, as of April 30, 2019 and 2018, and the changes in net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Mitchell Wiggins*

Richmond, Virginia  
August 8, 2019

***The Virginia Society of Certified Public Accountants and  
The Virginia Society of Certified Public Accountants' Political Action Committee***

***Consolidated Statements of Financial Position***

<b>April 30,</b>	<b>2019</b>	<b>2018</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 2,477,760	\$ 1,798,813
Trade accounts receivable	72,339	179,724
Investments	1,448,142	997,357
Prepaid expenses	290,193	232,208
<b>Total current assets</b>	<b>4,288,434</b>	<b>3,208,102</b>
Investments	224,411	1,039,324
Property and equipment – net	1,229,351	1,334,373
	<b>\$ 5,742,196</b>	<b>\$ 5,581,799</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 34,840	\$ 21,605
Accrued expenses	206,531	192,616
Accrued retirement	189,889	171,648
Deferred revenue	783,075	849,645
Deferred compensation	190,700	110,000
<b>Total current liabilities</b>	<b>1,405,035</b>	<b>1,345,514</b>
<b>Net assets</b>		
Without donor restrictions:		
Invested in property and equipment	1,229,351	1,334,373
Board designated for facility and technology	952,175	826,056
Board designated for operating expenses	1,268,284	1,100,184
Undesignated	832,544	900,777
	<b>4,282,354</b>	<b>4,161,390</b>
With donor restrictions (VSCPA PAC)	54,807	74,895
<b>Total net assets</b>	<b>4,337,161</b>	<b>4,236,285</b>
	<b>\$ 5,742,196</b>	<b>\$ 5,581,799</b>

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

**The Virginia Society of Certified Public Accountants and  
The Virginia Society of Certified Public Accountants' Political Action Committee**

**Consolidated Statements of Activities**

<b>Years Ended April 30,</b>	<b>2019</b>	<b>2018</b>
<b>Change in net assets without donor restrictions</b>		
Revenue:		
Program revenue:		
Continuing education:		
Seminars	\$ 1,138,402	\$ 1,288,092
Conferences	448,897	527,270
Ethics	1,123,791	1,071,948
Online	298,447	334,765
Other CPE	6,709	20,125
<b>Total continuing education</b>	<b>3,016,246</b>	<b>3,242,200</b>
Peer Review	262,139	188,427
Innovation	44,503	31,557
Membership	2,567,052	2,400,793
Communications	58,310	62,124
Students & Educators	44,126	44,441
Net assets released from restriction, VSCPA PAC	74,536	82,169
<b>Total program revenue</b>	<b>6,066,912</b>	<b>6,051,711</b>
Other:		
Affinity Income	150,185	178,958
Investment Income, net	73,550	25,741
Rental Income	27,017	32,557
Gain (loss) on disposal of property and equipment	(4,208)	625
Miscellaneous	2,500	3,820
<b>Total support and revenues without donor restrictions</b>	<b>6,315,956</b>	<b>6,293,412</b>
Expenses:		
Program services:		
Learning	2,376,837	2,425,536
Governance	357,361	350,931
Peer Review	344,472	258,994
Membership	1,032,191	901,995
Innovation	380,256	301,727
Students & Educators	269,440	293,469
Public Relations	132,889	156,600
Government Affairs	246,914	177,485
VSCPA PAC	74,536	82,169
Supporting services:		
Administrative and general	980,096	911,774
<b>Total expenses</b>	<b>6,194,992</b>	<b>5,860,680</b>
<b>Change in net assets without donor restrictions</b>	<b>120,964</b>	<b>432,732</b>
<b>Change in net assets with donor restrictions</b>		
Contributions to the VSCPA PAC	54,448	72,051
Net assets released from restriction, VSCPA PAC	(74,536)	(82,169)
<b>Change in net assets with donor restrictions</b>	<b>(20,088)</b>	<b>(10,118)</b>
<b>Change in net assets</b>	<b>100,876</b>	<b>422,614</b>
<b>Net assets – beginning of year</b>	<b>4,236,285</b>	<b>3,813,671</b>
<b>Net assets – end of year</b>	<b>\$ 4,337,161</b>	<b>\$ 4,236,285</b>

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

The Virginia Society of Certified Public Accountants and  
The Virginia Society of Certified Public Accountants' Political Action Committee

Consolidated Statement of Functional Expenses

Year Ended April 30, 2019

	Learning	Governance	Peer Review	Membership	Innovation	Students & Educators	Public Relations	Government Affairs	VSCPA PAC	Total Program Services	Total Administrative and General	Total
Governance	\$ -	\$ 57,163	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 57,163	\$ -	\$ 57,163
Peer review administration	-	-	114,665	-	-	-	-	-	-	114,665	-	114,665
Public/member services	-	-	-	136,673	117,323	37,976	39,309	-	-	331,281	-	331,281
Communication	-	-	-	102,580	-	-	-	-	-	102,580	-	102,580
Government affairs	-	-	-	-	-	-	-	72,592	-	72,592	-	72,592
Continuing education:												
Seminars	732,535	-	-	-	-	-	-	-	-	732,535	-	732,535
Conferences	220,830	-	-	-	-	-	-	-	-	220,830	-	220,830
Ethics	128,803	-	-	-	-	-	-	-	-	128,803	-	128,803
Online	158,930	-	-	-	-	-	-	-	-	158,930	-	158,930
Other CPE	60,406	-	-	-	-	-	-	-	-	60,406	-	60,406
Salaries	636,621	177,724	136,051	469,438	155,662	137,032	55,401	103,203	-	1,871,132	580,239	2,451,371
Employee benefit/payroll costs	167,124	46,656	35,716	123,235	40,864	35,973	14,544	27,092	-	491,204	152,322	643,526
Office supplies and postage	1,858	519	397	1,370	454	400	162	301	4,093	9,554	1,694	11,248
Technology expense	121,811	34,006	26,032	89,822	29,784	26,220	10,600	19,747	-	358,022	111,022	469,044
Bank/credit card fees	32,473	9,065	6,940	23,945	7,940	6,990	2,826	5,264	-	95,443	29,596	125,039
Occupancy & equipment expense	80,476	22,466	17,198	59,342	19,678	17,322	7,003	13,046	-	236,531	73,351	309,882
Professional fees	24,702	6,896	5,279	18,215	6,040	5,317	2,150	4,004	-	72,603	22,514	95,117
Other administration	10,268	2,866	2,194	7,571	2,511	2,210	894	1,665	12,693	42,872	9,358	52,230
Political contributions	-	-	-	-	-	-	-	-	57,750	57,750	-	57,750
	\$ 2,376,837	\$ 357,361	\$ 344,472	\$ 1,032,191	\$ 380,256	\$ 269,440	\$ 132,889	\$ 246,914	\$ 74,536	\$ 5,214,896	\$ 980,096	\$ 6,194,992

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

The Virginia Society of Certified Public Accountants and  
The Virginia Society of Certified Public Accountants' Political Action Committee

Consolidated Statement of Functional Expenses

Year Ended April 30, 2018

	Learning	Governance	Peer Review	Membership	Innovation	Students & Educators	Public Relations	Government Affairs	VSCPA PAC	Total Program Services	Total Administrative and General	Total
Governance	\$ -	\$ 60,735	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 60,735	\$ -	\$ 60,735
Peer review administration	-	-	122,588	-	-	-	-	-	-	122,588	-	122,588
Public/member services	-	-	-	113,194	82,570	44,462	44,377	-	-	284,603	-	284,603
Communications	-	-	-	115,083	-	-	-	-	-	115,083	-	115,083
Government affairs	-	-	-	-	-	-	-	62,238	-	62,238	-	62,238
Continuing education:												
Seminars	776,730	-	-	-	-	-	-	-	-	776,730	-	776,730
Conferences	240,093	-	-	-	-	-	-	-	-	240,093	-	240,093
Ethics	112,922	-	-	-	-	-	-	-	-	112,922	-	112,922
Online	133,180	-	-	-	-	-	-	-	-	133,180	-	133,180
Other CPE	91,764	-	-	-	-	-	-	-	-	91,764	-	91,764
Salaries	639,663	173,345	81,481	402,441	130,912	148,743	67,036	68,842	-	1,712,463	544,638	2,257,101
Employee benefit/payroll costs	174,544	47,301	22,234	109,814	35,722	40,587	18,292	18,785	-	467,279	148,615	615,894
Office supplies and postage	3,049	826	388	1,918	624	709	320	328	3,501	11,663	2,596	14,259
Technology expense	106,550	28,875	13,573	67,036	21,806	24,776	11,166	11,467	-	285,249	90,723	375,972
Bank/credit card fees	33,773	9,152	4,302	21,248	6,912	7,853	3,539	3,635	-	90,414	28,758	119,172
Occupancy & equipment expense	88,438	23,966	11,265	55,640	18,100	20,565	9,268	9,518	-	236,760	75,301	312,061
Professional fees	13,384	3,627	1,705	8,420	2,739	3,112	1,403	1,440	-	35,830	11,395	47,225
Other administration	11,446	3,104	1,458	7,201	2,342	2,662	1,199	1,232	10,668	41,312	9,748	51,060
Political contributions	-	-	-	-	-	-	-	-	68,000	68,000	-	68,000
	\$ 2,425,536	\$ 350,931	\$ 258,994	\$ 901,995	\$ 301,727	\$ 293,469	\$ 156,600	\$ 177,485	\$ 82,169	\$ 4,948,906	\$ 911,774	\$ 5,860,680

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



***The Virginia Society of Certified Public Accountants and  
The Virginia Society of Certified Public Accountants' Political Action Committee***

***Consolidated Statements of Cash Flows***

<b>Years Ended April 30,</b>	<b>2019</b>	<b>2018</b>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 100,876	\$ 422,614
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation	218,542	211,438
Deferred compensation	80,700	50,000
Unrealized (gain) loss on investments	(10,872)	10,081
(Gain) loss on disposal of property and equipment	4,208	(625)
Change in:		
Trade accounts receivable	107,385	(99,700)
Prepaid expenses	(57,985)	44,772
Accounts payable	13,235	(62,374)
Accrued expenses	13,915	(7,808)
Deferred revenue	(66,570)	62,610
Accrued retirement	18,241	20,581
<b>Net cash provided by operating activities</b>	<b>421,675</b>	<b>651,589</b>
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(117,983)	(298,834)
Proceeds from sale of property and equipment	255	625
Purchase of investments	(875,000)	(1,350,000)
Proceeds from sale of investments	1,250,000	1,100,000
<b>Net cash provided by (used in) investing activities</b>	<b>257,272</b>	<b>(548,209)</b>
<b>Change in cash and cash equivalents</b>	<b>678,947</b>	<b>103,380</b>
<b>Cash and cash equivalents - beginning of year</b>	<b>1,798,813</b>	<b>1,695,433</b>
<b>Cash and cash equivalents - end of year</b>	<b>\$ 2,477,760</b>	<b>\$ 1,798,813</b>

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

# ***The Virginia Society of Certified Public Accountants and Certified Public Accountants' Political Action Committee of Virginia***

## ***Notes to Consolidated Financial Statements***

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**April 30, 2019 and 2018**

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### **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 13,000 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 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.

### **2. Summary of Significant Accounting Policies**

#### **Basis of Accounting**

The consolidated financial statements are presented on the accrual basis of accounting. Consequently, revenue is recognized when earned and expenses are recorded when the obligation is incurred.

#### **Basis of Presentation**

Under current accounting standards generally accepted in the United States of America, the Society 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 Society. The Board of Directors has designated, from net assets without donor restrictions, net assets for an operating reserve and a capital reserve. 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.

**2. Summary of Significant Accounting Policies (continued)**

**Net Assets With Donor Restrictions** - Net assets including amounts subject to donor imposed restrictions. When a donor restriction expires either with the passage of time or by actions of the Society, these net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction. Net assets with donor restrictions are comprised of contributions to the political action committee and used for 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. Currently, the Society does not hold any donor restricted funds that are perpetual in nature.

**Concentration of Credit Risk**

The Society's financial assets potentially subject to credit risk include cash and cash equivalents, investments and trade receivables. At times, the Society may have cash and cash equivalents at a financial institution in excess of insured limits. The Society 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 Society'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 Society 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, 2019 and 2018, cash of \$50,675 and \$61,729 is with donor restrictions for the VSCPA PAC.

**Trade Accounts Receivable**

The Society 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. 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 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 brokered certificates of deposit and are stated at approximate market value. The Society considers unrealized gains and losses on investments to be part of its operating activities.

## ***Notes to Consolidated Financial Statements (continued)***

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### **2. Summary of Significant Accounting Policies (continued)**

#### **Income Taxes**

The Society is exempt from federal income taxes under Code Section 501(c)(6) of the Internal Revenue Code. The Society is subject to tax on any unrelated business income that it 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.

#### **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 & supporting area. This allocation is determined using staff timesheets which designate how much time on a daily basis is spent in each program & supporting area.

#### **Change in Accounting Principles**

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

- The unrestricted net asset class has been renamed net assets without donor restrictions;
- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions;
- The financial statements include expenses by nature and function;
- Investment expenses are reported net of investment returns; and
- The consolidated financial statements include a disclosure about liquidity and availability of resources (Note 3).

#### **Advertising**

Advertising costs, which are expensed as incurred, were \$26,203 and \$26,200 for years ended April 30, 2019 and 2018, respectively.

## Notes to Consolidated Financial Statements (continued)

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### 3. Liquidity and Availability

The following reflects the VSCPA'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 the operating and capital reserves that could be drawn upon if the board approves that action.

	2019	2018
Cash	\$2,427,085	\$1,737,084
Brokered CDs that mature within 1 year of the balance sheet date	1,448,142	997,357
Trade accounts receivable	72,339	179,724
Total current financial assets	3,947,566	2,914,165
Board designations:		
Capital reserves	(826,885)	(455,305)
Operating reserves	(1,169,162)	(680,331)
Financial assets available to meet cash needs for General expenditures within one year	<u>\$1,951,519</u>	<u>\$1,778,529</u>

Of the total financial assets, \$2,220,459 are subject to board designations that make them unavailable for general expenditure within one year of the balance sheet date without board approval. These designations are in place in order to ensure the VSCPA's ongoing and future viability to achieve its mission. The designated funds include:

An Operating Fund whose purpose is to enable the VSCPA to withstand the impact of economic downturns, both internally and/or externally generated or to invest in strategic opportunities.

A Capital Fund whose purpose is to provide funds for the VSCPA's major technology or strategic initiative and/or facility needs.

The VSCPA 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, which is \$5,777,884.

The VSCPA 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 VSCPA invests cash in excess of daily requirements in various short-term investments, including certificate of deposits, money market instruments, and high-quality, short-term fixed-income investments. In addition, up to 20% of the capital fund may be invested in equities.

## Notes to Consolidated Financial Statements (continued)

### 4. Investments

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

<b>2019</b>				
	<b>Cost</b>	<b>Gross Unrealized Gains</b>	<b>Gross Unrealized Losses</b>	<b>Approximate Market Value</b>
<b>Brokered Certificates of Deposit</b>	<b>\$ 1,675,000</b>	<b>\$ -</b>	<b>\$ 2,447</b>	<b>\$ 1,672,553</b>
	<b>\$ 1,675,000</b>	<b>\$ -</b>	<b>\$ 2,447</b>	<b>\$ 1,672,553</b>
<b>2018</b>				
	<b>Cost</b>	<b>Gross Unrealized Gains</b>	<b>Gross Unrealized Losses</b>	<b>Approximate Market Value</b>
<b>Brokered Certificates of Deposit</b>	<b>\$ 2,050,000</b>	<b>\$ -</b>	<b>\$ 13,319</b>	<b>\$ 2,036,681</b>
	<b>\$ 2,050,000</b>	<b>\$ -</b>	<b>\$ 13,319</b>	<b>\$ 2,036,681</b>

The Society recognized \$10,872 in unrealized gains for the year ended April 30, 2019 and incurred \$10,081 in unrealized losses for the year ended April 30, 2018.

### 5. Property and Equipment

Property and equipment consisted of the following at April 30:

	<b>2019</b>	<b>2018</b>
Land	<b>\$ 268,561</b>	\$ 268,561
Building and improvements	<b>1,873,921</b>	1,860,046
Furniture and equipment	<b>306,284</b>	306,284
Computer hardware	<b>455,403</b>	445,952
Computer software	<b>324,898</b>	425,886
	<b>3,229,067</b>	3,306,729
Less - accumulated depreciation and amortization	<b>(1,999,716)</b>	(1,972,356)
	<b>\$ 1,229,351</b>	\$ 1,334,373

## Notes to Consolidated Financial Statements (continued)

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### 6. Lease and Lease Commitments

The Society has operating leases for equipment that expire in 2020 and 2022. Estimated future minimum lease payments for the equipment for fiscal years ending April 30, are as follows:

2020	\$ 29,760
2021	23,091
2022	<u>19,129</u>
	<u>\$ 71,980</u>

Total rental expense for the years ended April 30, 2019 and 2018, was \$32,455 and \$31,070, respectively.

### 7. Retirement Benefits

The Society 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 Society has the option under the plan to provide matching contributions and/or non-elective discretionary contributions. The Society's discretionary contributions to the plan were \$187,389 and \$161,648 for the years ended April 30, 2019 and 2018, respectively.

### 8. Deferred Compensation

The Society 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 Society 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 are invested in the Society's cash and cash equivalents and shown with earnings thereon as an asset. The amounts that are due to the participant are shown as an equal and offsetting liability. The Society awarded \$80,700 of deferred compensation to a key employee for the year ended April 30, 2019.

### 9. Related-Party Transactions

The Society is affiliated with the VSCPA Educational Foundation, Inc. (Foundation), a Code Section 501 (c)(3) entity. The Society accepted on behalf of and distributed to the Foundation contributions of \$36,282 and \$41,802 for the years ended April 30, 2019 and 2018, respectively. The Society provides personnel, facilities, and other services to the Foundation, a portion of which is recorded as an in-kind contribution from the Society to the Foundation. The in-kind contribution is measured based on the total hours dedicated to the Foundation by Society personnel. During the years ended April 30, 2019 and 2018, the Society charged the Foundation \$10,000 each year, for the cost of these services. As of April 30, 2019 and 2018, the in-kind contribution totaled approximately \$28,922 and \$27,030, respectively.

## Notes to Consolidated Financial Statements (continued)

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### 9. Related-Party Transactions (continued)

The Society accepted on behalf of The Virginia Society of Certified Public Accountants' Political Action Committee of Virginia (VSCPA PAC) and distributed to the VSCPA PAC contributions of \$24,899 and \$26,955 for the years ended April 30, 2019 and 2018, respectively.

### 10. 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 Society 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.

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

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

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

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

*Brokered certificates of deposit:* Valued at the closing price reported on an active market on which similar securities are traded.

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 Society believes its valuation method is 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.



## Notes to Consolidated Financial Statements (continued)

### 10. Fair Value Measurements (continued)

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

	April 30, 2019			
	Level 1	Level 2	Level 3	Total
Brokered certificates of deposit	\$ -	\$ 1,672,553	\$ -	\$ 1,672,553
Total assets at fair value	\$ -	\$ 1,672,553	\$ -	\$ 1,672,553

  

	April 30, 2018			
	Level 1	Level 2	Level 3	Total
Brokered certificates of deposit	\$ -	\$ 2,036,681	\$ -	\$ 2,036,681
Total assets at fair value	\$ -	\$ 2,036,681	\$ -	\$ 2,036,681

### 11. Reclassifications

Certain items in the 2018 consolidated statements of activities and statements of functional expenses have been reclassified for comparability purposes with the 2019 consolidated financial statements. These reclassifications had no effect on previously reported net income or net assets.

### 12. Accounting for Uncertain Tax Positions

The Financial Accounting Standards Board issued guidance on accounting for uncertainty in income taxes. Management evaluated the Society's tax positions and concluded that the Society 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 Society is no longer subject to income tax examinations by the taxing authorities for years ending before April 30, 2016.

The Society includes penalties and interest assessed by income taxing authorities in administrative and general expenses. The Society did not have penalties and interest relating to income taxes for the years ended April 30, 2019 and 2018.

### 13. Subsequent Events

Management has evaluated subsequent events through August 8, 2019, the date which the consolidated financial statements were available for issue.