

*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, 2018 and 2017*



**Virginia Society of  
Certified Public  
Accountants**

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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, 2018 and 2017, 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, 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, 2018 and 2017, 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 9, 2018

***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>2018</b>	<b>2017</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 1,798,813	\$ 1,695,433
Trade accounts receivable	179,724	80,024
Investments	997,357	850,109
Prepaid expenses	232,208	276,980
<b>Total current assets</b>	<b>3,208,102</b>	<b>2,902,546</b>
Investments	1,039,324	946,653
Property and equipment – net	1,334,373	1,246,977
	<b>\$ 5,581,799</b>	<b>\$ 5,096,176</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 21,605	\$ 83,979
Accrued expenses	302,616	260,424
Deferred revenue	849,645	787,035
Accrued retirement	171,648	151,067
<b>Total current liabilities</b>	<b>1,345,514</b>	<b>1,282,505</b>
<b>Net assets</b>		
Unrestricted:		
Invested in property and equipment	1,334,373	1,246,977
Board designated for facility and technology	826,056	777,344
Board designated for operating expenses	1,100,184	1,043,514
Undesignated	900,777	660,823
	<b>4,161,390</b>	<b>3,728,658</b>
Temporarily restricted (VSCPA PAC)	74,895	85,013
<b>Total net assets</b>	<b>4,236,285</b>	<b>3,813,671</b>
	<b>\$ 5,581,799</b>	<b>\$ 5,096,176</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>2018</b>	<b>2017</b>
<b>Change in unrestricted net assets</b>		
Revenue:		
Program revenue:		
Continuing education:		
Seminars	\$ 1,288,092	\$ 1,061,752
Conferences	527,270	504,719
Ethics	1,071,948	1,044,094
Online	334,765	242,581
Other CPE	20,125	19,934
<b>Total continuing education</b>	<b>3,242,200</b>	<b>2,873,080</b>
Peer Review	188,427	199,408
Leadership	1,557	1,000
Membership	2,396,458	2,310,547
Communications	62,124	43,079
Students & Young Professionals	74,441	77,803
Net assets released from restriction, VSCPA PAC	82,169	83,069
<b>Total program revenue</b>	<b>6,047,376</b>	<b>5,587,986</b>
Other:		
Affinity Income	183,293	169,878
Investment Income	35,822	24,043
Unrealized loss on investments	(10,081)	(5,972)
Rental Income	32,557	37,618
Gain/(loss) on disposal of property and equipment	625	(2,387)
Miscellaneous	3,820	118
<b>Total support and unrestricted revenues</b>	<b>6,293,412</b>	<b>5,811,284</b>
Expenses:		
Program services:		
Continuing Education	2,425,536	2,402,454
Leadership	550,163	482,839
Peer Review	258,994	228,224
Membership	709,791	677,514
Communications	228,441	256,162
Students & Young Professionals	359,727	391,412
Public Relations	156,600	171,082
Legislative	177,485	187,384
VSCPA PAC	82,169	83,069
Supporting services:		
Administrative and general	911,774	690,613
<b>Total expenses</b>	<b>5,860,680</b>	<b>5,570,753</b>
<b>Change in unrestricted net assets</b>	<b>432,732</b>	<b>240,531</b>
<b>Change in temporarily restricted net assets</b>		
Contributions to the VSCPA PAC	72,051	86,219
Net assets released from restriction, VSCPA PAC	(82,169)	(83,069)
<b>Change in temporarily restricted net assets</b>	<b>(10,118)</b>	<b>3,150</b>
<b>Change in net assets</b>	<b>422,614</b>	<b>243,681</b>
<b>Net assets – beginning of year</b>	<b>3,813,671</b>	<b>3,569,990</b>
<b>Net assets – end of year</b>	<b>\$ 4,236,285</b>	<b>\$ 3,813,671</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, 2018

	Continuing Education	Leadership	Peer Review	Membership	Communications	Students & Young Professionals	Public Relations	Legislative	VSCPA PAC	Total Program Services	Total Administrative and General	Total
Leadership	\$ -	\$ 105,048	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 105,048	\$ -	\$ 105,048
Peer review administration	-	-	122,588	-	-	-	-	-	-	122,588	-	122,588
Public/member services	-	-	-	122,224	-	73,690	44,377	-	-	240,291	-	240,291
Communications	-	-	-	-	115,083	-	-	-	-	115,083	-	115,083
Legislative	-	-	-	-	-	-	-	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	265,887	81,481	350,979	67,713	170,863	67,036	68,842	-	1,712,464	544,638	2,257,102
Employee benefit/payroll costs	174,544	72,552	22,234	95,772	18,477	46,623	18,292	18,785	-	467,279	148,615	615,894
Office supplies and postage	3,049	1,267	388	1,673	323	814	320	328	3,501	11,663	2,596	14,259
Technology expense	106,550	44,289	13,573	58,463	11,279	28,461	11,166	11,467	-	285,248	90,723	375,971
Bank/credit card fees	33,773	14,038	4,302	18,531	3,575	9,021	3,539	3,635	-	90,414	28,758	119,172
Occupancy & equipment expenses	88,438	36,761	11,265	48,525	9,362	23,623	9,268	9,518	-	236,760	75,301	312,061
Professional fees	13,384	5,563	1,705	7,344	1,417	3,575	1,403	1,440	-	35,831	11,395	47,226
Other administration	11,446	4,758	1,458	6,280	1,212	3,057	1,199	1,232	10,668	41,310	9,748	51,058
Political contributions	-	-	-	-	-	-	-	-	68,000	68,000	-	68,000
	\$ 2,425,536	\$ 550,163	\$ 258,994	\$ 709,791	\$ 228,441	\$ 359,727	\$ 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 Statement of Functional Expenses

Year Ended April 30, 2017

	Continuing Education	Leadership	Peer Review	Membership	Communications	Students & Young Professionals	Public Relations	Legislative	VSCPA PAC	Total Program Services	Total Administrative and General	Total
Leadership	\$ -	\$ 92,555	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 92,555	\$ -	\$ 92,555
Peer review administration	-	-	103,450	-	-	-	-	-	-	103,450	-	103,450
Public/member services	-	-	-	134,165	-	54,447	48,120	-	-	236,732	-	236,732
Communications	-	-	-	-	115,066	-	-	-	-	115,066	-	115,066
Legislative	-	-	-	-	-	-	-	60,070	-	60,070	-	60,070
Continuing education:												
Seminars	721,328	-	-	-	-	-	-	-	-	721,328	-	721,328
Conferences	253,696	-	-	-	-	-	-	-	-	253,696	-	253,696
Ethics	110,320	-	-	-	-	-	-	-	-	110,320	-	110,320
Online	90,387	-	-	-	-	-	-	-	-	90,387	-	90,387
Other CPE	76,911	-	-	-	-	-	-	-	-	76,911	-	76,911
Salaries	685,613	232,719	74,401	323,990	84,134	200,926	73,320	75,915	-	1,751,018	411,800	2,162,818
Employee benefit/payroll costs	183,453	62,270	19,908	86,692	22,512	53,763	19,619	20,313	-	468,530	110,187	578,717
Office supplies and postage	4,334	1,471	470	2,048	532	1,270	463	480	3,408	14,476	2,604	17,080
Technology expense	118,442	40,203	12,853	55,970	14,534	34,711	12,666	13,115	-	302,494	71,140	373,634
Bank/credit card fees	40,226	13,654	4,365	19,009	4,936	11,789	4,302	4,454	-	102,735	24,161	126,896
Occupancy & equipment expenses	100,228	34,021	10,876	47,363	12,299	29,373	10,718	11,098	-	255,976	60,200	316,176
Professional fees	8,299	2,817	901	3,922	1,018	2,432	888	919	-	21,196	4,984	26,180
Other administration	9,217	3,129	1,000	4,355	1,131	2,701	986	1,020	23,911	47,450	5,537	52,987
Political contributions	-	-	-	-	-	-	-	-	55,750	55,750	-	55,750
	\$ 2,402,454	\$ 482,839	\$ 228,224	\$ 677,514	\$ 256,162	\$ 391,412	\$ 171,082	\$ 187,384	\$ 83,069	\$ 4,880,140	\$ 690,613	\$ 5,570,753

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>2018</b>	<b>2017</b>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 422,614	\$ 243,681
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation	211,438	219,249
Unrealized loss on investments	10,081	5,972
(Gain)/loss on disposal of property and equipment	(625)	2,387
Change in:		
Trade accounts receivable	(99,700)	34,305
Prepaid expenses	44,772	(18,411)
Accounts payable	(62,374)	21,520
Accrued expenses	42,192	80,680
Deferred revenue	62,610	198,582
Accrued retirement	20,581	(7,029)
<b>Net cash provided by operating activities</b>	<b>651,589</b>	<b>780,936</b>
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(298,834)	(178,839)
Proceeds from sale of property and equipment	625	165
Purchase of investments	(1,350,000)	(1,700,000)
Proceeds from sale of investments	1,100,000	1,150,000
<b>Net cash (used in) investing activities</b>	<b>(548,209)</b>	<b>(728,674)</b>
<b>Change in cash and cash equivalents</b>	<b>103,380</b>	<b>52,262</b>
<b>Cash and cash equivalents - beginning of year</b>	<b>1,695,433</b>	<b>1,643,171</b>
<b>Cash and cash equivalents - end of year</b>	<b>\$ 1,798,813</b>	<b>\$ 1,695,433</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, 2018 and 2017**

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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 Society 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 three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The consolidated financial statements report amounts separately by class of assets as follows:

**Unrestricted** amounts are those net assets including both board designated and other unrestricted funds. They include revenue and expenses used currently for the general operations of the Society. General contributions that are restricted by the donor are reported as increases in unrestricted net assets if the donor restrictions expire in the fiscal year in which the contributions are recognized.

**Temporarily restricted** amounts are those which include contributions restricted by donor designation and are reported as increases in temporarily restricted net assets. When a donor restriction expires either with the passage of time or by actions of the

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

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### **Basis of Presentation (continued)**

Society, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restriction. Temporarily restricted net assets are comprised of political action committee funds.

**Permanently restricted** amounts include contributions subject to donor imposed stipulations that they be maintained permanently by the Society, the income from which is expendable in accordance with the conditions of each specific donation. Currently, the Society has no permanently restricted net assets.

### **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, 2018 and 2017, cash of \$61,729 and \$82,257 is temporarily restricted 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.

### **Pledge Receivables**

Pledges are recognized when the donor makes a promise to give to the VSCPA PAC that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. Pledges receivable are expected to be collected within one year or less.

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

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### **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.

### **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 costs have been allocated among the programs and supporting services benefited.

### **Advertising**

Advertising costs, which are expensed as incurred, were \$26,200 and \$31,600 for years ended April 30, 2018 and 2017, respectively.

## Notes to Consolidated Financial Statements (continued)

### 3. Investments

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

<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>
<b>2017</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>\$1,800,000</b>	<b>\$ -</b>	<b>\$ 3,238</b>	<b>\$1,796,762</b>
	<b>\$1,800,000</b>	<b>\$ -</b>	<b>\$ 3,238</b>	<b>\$1,796,762</b>

The Society incurred \$10,081 and \$5,972 in unrealized losses for the years ended April 30, 2018 and 2017, respectively.

### 4. Property and Equipment

Property and equipment consisted of the following at April 30:

	<b>2018</b>	<b>2017</b>
Land	\$ 268,561	\$ 268,561
Building and improvements	1,860,046	1,844,820
Furniture and equipment	306,284	336,481
Computer hardware	445,952	388,057
Computer software	237,678	234,924
Website design, in process	188,208	-
	<b>3,306,729</b>	<b>3,072,843</b>
Less - accumulated depreciation and amortization	<b>(1,972,356)</b>	<b>(1,825,866)</b>
	<b>\$ 1,334,373</b>	<b>\$ 1,246,977</b>

As of April 30, 2018, the Society has \$188,208 of website design costs included in property and equipment. Upon completion of the project, the Society will commence depreciation of the website design costs.

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

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### **5. 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:

2019	\$ 29,760
2020	29,760
2021	23,091
2022	<u>19,129</u>
	<u>\$ 101,740</u>

Total rental expense for the years ended April 30, 2018 and 2017 was \$31,070 and \$33,944, respectively.

### **6. 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 \$161,648 and \$151,067 for the years ended April 30, 2018 and 2017, respectively. Additionally, the Society awarded \$50,000 of deferred compensation to a key employee for the year ended April 30, 2018.

### **7. 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 \$41,802 and \$41,675 for the years ended April 30, 2018 and 2017, respectively. The Society provides personnel, facilities, and other services to the Foundation, a portion of which is recorded as an in-kind 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, 2018 and 2017, the Society charged the Foundation \$10,000 each year, for the cost of these services. As of April 30, 2018 and 2017, the in-kind contribution totaled approximately \$27,030 and \$20,790, respectively.

The Society accepted on behalf of the Society VSCPA PAC and distributed to the VSCPA PAC contributions of \$26,955 and \$26,314 for the years ended April 30, 2018 and 2017, respectively.

## Notes to Consolidated Financial Statements (continued)

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### 8. 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;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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

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

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

The following is a description of the valuation methodology used for assets measured at fair value. There have been no changes in the methodology used at April 30, 2018 and 2017.

*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 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.

## Notes to Consolidated Financial Statements (continued)

The following table sets forth by level, within the fair value hierarchy, the Society's assets at fair value as of April 30, 2018 and 2017:

	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

  

	April 30, 2017			
	Level 1	Level 2	Level 3	Total
Brokered Certificates of Deposit	\$ -	\$ 1,796,762	\$ -	\$ 1,796,762
Total assets at fair value	\$ -	\$ 1,796,762	\$ -	\$ 1,796,762

### 9. Reclassifications

Certain items in the 2017 statements of activities and statements of functional expenses have been reclassified for comparability purposes with the 2018 financial statements. These reclassifications had no effect on previously reported net income or net assets.

### 10. 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 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, 2015.

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, 2018 and 2017.

### 11. Subsequent Events

Management has evaluated subsequent events through, August 9, 2018, the date which the consolidated financial statements were available for issue.