

CONSUMER CREDIT COUNSELING SERVICE OF FORSYTH COUNTY, INCORPORATED
D/B/A FINANCIAL PATHWAYS OF THE PIEDMONT
NOTES TO FINANCIAL STATEMENTS

NOTE H: FAIR VALUE MEASUREMENTS

Valuation techniques used to measure fair value are prioritized in the following hierarchy:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that FPP 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 methodologies used by FPP for assets measured at fair value:

- *Mutual Funds*: Valued at the closing price reported on the active market on which the securities are traded. (Level 1)
- *Corporate Bonds*: Valued by a computerized pricing service, or for less actively traded issues, by utilizing a yield-based matrix system to arrive at an estimated market value (Level 2).

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 FPP 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.

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NOTE H: FAIR VALUE MEASUREMENTS (CONTINUED)

The following table sets forth by level, within the fair value hierarchy, FPP's assets measured at fair value on a recurring basis as of June 30, 2017 and 2016.

	Level 1	Level 2	Level 3	Total
<u>2017</u>				
Investments				
Mutual funds				
Equity funds - large cap	\$ 142,658	\$ -	\$ -	\$ 142,658
Equity funds - small cap	11,273	-	-	11,273
Equity funds - private equity	22,274	-	-	22,274
Bond funds - multisector	17,472	-	-	17,472
Corporate bonds				
A2 credit rating	-	26,309	-	26,309
BA2 credit rating	-	21,375	-	21,375
WR credit rating	-	4,760	-	4,760
	<u>\$ 193,677</u>	<u>\$ 52,444</u>	<u>\$ -</u>	<u>\$ 246,121</u>
<u>2016</u>				
Investments				
Mutual funds				
Equity funds - large cap	\$ 152,487	\$ -	\$ -	\$ 152,487
Equity funds - small cap	9,180	-	-	9,180
Equity funds - private equity	16,806	-	-	16,806
Bond funds - multisector	16,896	-	-	16,896
Corporate bonds				
A2 credit rating	-	132,495	-	132,495
BA2 credit rating	-	20,500	-	20,500
CAA3 credit rating	-	9,325	-	9,325
WR credit rating	-	4,060	-	4,060
	<u>\$ 195,369</u>	<u>\$ 166,380</u>	<u>\$ -</u>	<u>\$ 361,749</u>

NOTE I: RELATED PARTY TRANSACTIONS

A member of the FPP board of directors is an officer in a local public relations firm that provides services to FPP. During the years ended June 30, 2017 and 2016, FPP made payments to this firm for public relations services that totaled \$9,200 and \$3,082, respectively. Additional amounts of in-kind public relations services were provided by the same firm for the year ended June 30, 2016 which were valued at \$700. No amounts were owed to this firm at June 30, 2017 or 2016. Management believes these transactions were consummated on terms equivalent to those that prevail in arm's-length transactions.