FINANCIAL SERVICES INSTITUTE, INC. AND AFFILIATE
(a nonprofit organization)

CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2017

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Renner & Company
Certified Public Accountants

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A PROFESSIONAL CORPORATION

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Financial Services Institute, Inc.
Washington, DC

We have audited the accompanying consolidated financial statements of Financial Services Institute, Inc. and Affiliate (collectively, the Institute), which comprise the consolidated statement of financial position as of December 31, 2017, and 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.

Management's Responsibility for the 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; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Institute as of December 31, 2017, 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.

Renner and Company, CPA, P.C.

Alexandria, Virginia
September 28, 2018

FINANCIAL SERVICES INSTITUTE, INC. AND AFFILIATE

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 2017

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	$ 1,593,445
Accounts receivable, net	326,819
Prepaid expenses	496,240
Investments	3,398,425
TOTAL CURRENT ASSETS	5,814,929
TOTAL PROPERTY, at cost, net	234,281
OTHER ASSETS	
Deferred compensation	304,808
TOTAL ASSETS	$ 6,354,018
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable	$ 226,039
Accrued expenses	79,417
Accrued payroll and related liabilities	398,098
Deferred rent	8,153
Deferred revenue	2,975,246
TOTAL CURRENT LIABILITIES	3,686,953
LONG-TERM LIABILITIES	
Deferred compensation	446,252
TOTAL LIABILITIES	4,133,205
NET ASSETS	
Without donor restrictions	2,138,861
With donor restrictions	81,952
TOTAL NET ASSETS	2,220,813
TOTAL LIABILITIES AND NET ASSETS	$ 6,354,018

See Notes to Consolidated Financial Statements.

FINANCIAL SERVICES INSTITUTE, INC. AND AFFILIATE

CONSOLIDATED STATEMENT OF ACTIVITIES
Year Ended December 31, 2017

SUPPORT AND REVENUE	Without Donor Restrictions	With Donor Restrictions Political Action Committee	Total
Membership dues	$ 7,024,932	$ -	$ 7,024,932
Sponsorships	2,336,000	-	2,336,000
Conferences	329,212	-	329,212
Publications	45,500	-	45,500
Interest income	4,217	-	4,217
Contributions	-	134,196	134,196
Miscellaneous	30,394	-	30,394
Net assets released from restriction, satisfaction of program restrictions	130,500	(130,500)	-
TOTAL SUPPORT AND REVENUE	9,900,755	3,696	9,904,451
EXPENSES			
Program	6,441,420	-	6,441,420
General and administrative	2,877,933	-	2,877,933
TOTAL EXPENSES	9,319,353	-	9,319,353
CHANGE IN NET ASSETS	581,402	3,696	585,098
NET ASSETS, beginning of year	1,557,459	78,256	1,635,715
NET ASSETS, end of year	$ 2,138,861	$ 81,952	$ 2,220,813

See Notes to Consolidated Financial Statements.

FINANCIAL SERVICES INSTITUTE, INC. AND AFFILIATE

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2017

	Programs				
	Conferences	Other Programs	Total	General and Administrative	Total
Salaries, related benefits, and payroll tax	$ 378,156	$ 3,384,822	$ 3,762,978	$ 1,701,701	$ 5,464,679
Personnel and development	-	-	-	74,477	74,477
Office	-	-	-	563,694	563,694
Contract services	-	-	-	275,342	275,342
Travel	-	-	-	50,992	50,992
Conference			-		
OneVoice	497,596	-	497,596	-	497,596
FSI Forum	29,565	-	29,565	-	29,565
Capitol Hill Day	44,143	-	44,143	-	44,143
State Capitol Days	1,452	-	1,452	-	1,452
Webinars	13,219	-	13,219	-	13,219
Sponsorship	28,767	215,912	244,679	-	244,679
Membership	-	223,534	223,534	-	223,534
Regulatory	-	70,506	70,506	-	70,506
Legislative	-	1,239,295	1,239,295	-	1,239,295
Communication	-	183,953	183,953	-	183,953
PAC contributions	-	130,500	130,500	-	130,500
Taxes and bad debt	-	-	-	20,055	20,055
Banking and insurance	-	-	-	72,394	72,394
Depreciation and amortization	-	-	-	119,278	119,278
TOTAL EXPENSES	$ 992,898	$ 5,448,522	$ 6,441,420	$ 2,877,933	$ 9,319,353

See Notes to Consolidated Financial Statements.

FINANCIAL SERVICES INSTITUTE, INC. AND AFFILIATE

CONSOLIDATED STATEMENT OF CASH FLOWS
Year Ended December 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from operations	
Support and revenue	$ 8,968,394
Investment income	4,217
Total cash received from operations	8,972,611
Cash disbursed from operations	
Payments to program recipients and suppliers	9,125,841
Income tax paid	27,320
Total cash disbursed by operations	9,153,161
NET CASH USED BY OPERATING ACTIVITIES	(180,550)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(1,975,155)
Purchase of equipment	(213,596)
NET CASH USED BY INVESTING ACTIVITIES	(2,188,751)
NET DECREASE IN CASH	(2,369,301)
CASH, beginning of year	3,962,746
CASH, end of year	$ 1,593,445

See Notes to Consolidated Financial Statements.

FINANCIAL SERVICES INSTITUTE, INC. AND AFFILIATE

CONSOLIDATED STATEMENT OF CASH FLOWS
Year Ended December 31, 2017

RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH USED BY OPERATING ACTIVITIES

CHANGE IN NET ASSETS	$ 585,098
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH USED BY OPERATING ACTIVITIES	
Depreciation	119,278
Non-cash occupancy costs	(46,981)
NET ADJUSTMENTS	72,297
CHANGES IN ASSETS AND LIABILITIES AFFECTING OPERATIONS PROVIDING (USING) CASH	
ASSETS	
Accounts receivable, net	(245,828)
Prepaid expense	(217,334)
Deferred compensation	(176,759)
	(639,921)
LIABILITIES	
Accounts payable	96,653
Accrued expenses	15,056
Accrued payroll and related liabilities	13,893
Deferred revenue	(509,253)
Deferred compensation	185,627
TOTAL	(198,024)
NET CHANGES IN ASSETS AND LIABILITIES	(837,945)
NET CASH USED BY OPERATING ACTIVITIES	$ (180,550)

See Notes to Consolidated Financial Statements.

FINANCIAL SERVICES INSTITUTE, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year Ended December 31, 2017

1. ORGANIZATION, PURPOSE, AND SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose

Financial Services Institute, Inc. and Affiliate (collectively, the Institute) represent independent broker-dealers and independent financial advisors. The Institute's mission is to change the business and regulatory climate so that independent broker-dealers and financial advisors can thrive and prosper.

The Institute's Political Action Committee (the PAC) acts on behalf of the Institute's members by supporting political candidates whose campaign agendas are aligned with the interests of the Institute.

Summary of Significant Accounting Policies

Principles of Consolidation

These consolidated financial statements include the accounts of the PAC. There are no significant intercompany transactions between these organizations.

Basis of Accounting

The Institute prepares its consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Consequently, revenue is recognized when earned and expenses are recognized when the obligation is incurred.

Cash and Cash Equivalents

For consolidated financial statement purposes, cash consists of demand deposits. At various times the amounts on deposit in the various bank accounts are in excess of the FDIC limit. Management monitors these balances and believes they do not represent a significant credit risk to the Institute.

Accounts Receivable

Accounts receivable are recorded at their net realizable value. Accounts receivable are considered past due if payments are not received within 30 days of the invoice date. The majority of receivables are from member dues earned during the year. Accounts past due are individually analyzed for collectability. An allowance for doubtful accounts is based on management's appraisal of collectability of specific past due accounts. Write-off of receivables occurs when all collection efforts have been exhausted or certain conditions or forgiveness has been reached.

1. ORGANIZATION, PURPOSE AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Summary of Significant Accounting Policies (Continued)

Property and Equipment

Property and equipment are recorded at cost. The Institute capitalizes all property and equipment with a cost of $1,000 or more. Costs of major additions, replacements and improvements are capitalized, and maintenance and repairs which do not improve or extend the life of the respective assets are charged to expense as incurred. Depreciation is computed on the straight-line method over the estimated useful lives of the related assets. The estimated useful lives for computing depreciation are as follows:

Computer equipment	5 years
Furniture and fixtures years	3 - 6 years
Leasehold improvements	5 - 6 years
Computer database and software	3 years

Investments

Investments consist of both money market funds and certificates of deposit. Investments are recorded at fair value, with interest, dividends, gains and losses included in the consolidated statements of activities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statements of financial position.

The Institute's estimates of fair value for financial assets and financial liabilities are based on the framework established in the fair value measurements and disclosures accounting guidance. The disclosure of fair value estimates in the fair value accounting guidance includes a hierarchy based on whether significant valuation inputs are observable. In determining the level of the hierarchy in which the estimate is disclosed, the highest priority is given to unadjusted quoted prices in active markets and the lowest priority to unobservable inputs that reflect the Institute's significant market assumptions. The Institute recognizes transfers between levels of the fair value hierarchy at the end of the period in which events occur impacting the availability of inputs to the fair value methodology. No transfers occurred during the year ended December 31, 2017.

The three levels of the hierarchy are as follows:

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

1. ORGANIZATION, PURPOSE AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Summary of Significant Accounting Policies (Continued)

Investments (Continued)

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 markets that are not active, inputs other than quoted prices that are observable for the asset or liability and market-corroborated inputs.

Level 3 – Valuations based on models where significant inputs are not observable. The unobservable inputs reflect the Institute's own assumptions about the inputs that market participants would use.

The certificates of deposit are recorded at cost which approximates fair value. The certificates of deposit do not meet the definition of securities under accounting standards and thus are not subject to the fair value disclosure requirements of U.S. GAAP.

Deferred Revenue

Amounts received in advance for membership dues and other specific activities such as conference fees of the Institute are deferred and recognized as revenues in the year to which they apply.

Revenue Recognition

Membership dues consist of both broker-dealer firm dues and financial advisor dues. The dues of the Institute are recognized as revenue ratably over the membership period.

Sponsorship, exhibitor, and conference revenues are received to help support operations and give sponsorships and exhibitors recognition on the website and in conference events. Revenue from conferences, sponsorships and exhibitors are recognized as revenue in the period in which the function is held.

Contributions to the Institute are made on a voluntary basis and are recognized as support when evidence of a promise to give becomes known. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions to the PAC are recorded as unrestricted net assets. Publication revenues are reflected in revenue when publications are purchased.

1. ORGANIZATION, PURPOSE AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Summary of Significant Accounting Policies (Continued)

Classes of Assets

In accordance with U.S. GAAP, the Institute's net assets are classified into two categories: without donor restriction and with donor restriction. Net assets without donor restriction are available for the general operations and are used to support the day-to-day programs and operations of the Institute. Net assets with donor restriction are funds that are generated from the PAC and are restricted to those programs.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Income Taxes

The Internal Revenue Service has determined that the Institute is exempt from federal income tax under Internal Revenue Code Section 501(c)(6). However, income derived from activities unrelated to the Institute's tax exempt purpose is taxable under the Code. Advertising revenue earned from placement of advertisements of various companies on the Institute's website is subject to unrelated business income tax.

The PAC is a separate segregated fund as defined under Section 527(f) of the Code and did not pay any income taxes in 2017.

In accounting for uncertainty in income taxes, accounting standards require an entity to recognize the financial statement impact of a tax position when it is more-likely-than-not that the position will be not be sustained upon examination. Management evaluated the Institute's tax positions and concluded that the Institute has taken no uncertain tax position that requires adjustment to the consolidated financial statements to comply with the provisions of this guidance.

Adoption of New Accounting Standard

The Institute has adopted the financial statement presentation and disclosure standards contained in the Financial Accounting Standards Board Accounting Standards Update 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities* , modifying ASC 958. The change has been applied as of December 31, 2017 with no effect on beginning net assets.

Summary of Significant Accounting Policies (Continued)

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs, such as compensation, benefits, and payroll tax have been allocated among program and general and administrative costs based on level of effort.

Liquidity

The Institute maintains a liquid cash balance in checking and money market accounts in an amount necessary to meet its anticipated expenditures for the next 30 days. Cash in excess of this amount is invested in short-term investments.

The Institute reconciles the balance of financial assets subject to donor restrictions monthly, based on restricted amounts used and received. Restricted cash and investments are separately identified and monitored as part of the Institute's monthly financial reporting process.

The Institute's financial assets available within one year to meet cash needs for general expenditures through December 31, 2018 are as follows:

Financial Assets	
Cash	$ 1,593,445
Accounts receivable, net	326,819
Investments	3,398,425
Total financial assets	5,318,689
Less amounts not available within one year	
Purpose restricted net assets	(81,952)
Financial assets available within one year to meet cash needs for general expenditures within one year	$ 5,236,737

2. CASH

Cash as of December 31,2017 consisted of the following:

Institute checking accounts	$ 1,512,955
PAC checking accounts	80,490
	$ 1,593,445

The balances in a financial institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per depositor. As of December 31, 2017, the Institute had cash balances in excess of FDIC deposit insurance coverages in the amount of $1,259,444.

3. ACCOUNTS RECEIVABLE

Accounts receivable as of December 31, 2017 consisted of the following:

Member dues	$ 174,566
Programs	156,757
Less: allowance for doubtful accounts	(4,504)
	$ 326,819

4. PROPERTY

A summary of information relative to property and depreciation for the year ended December 31, 2017 is as follows:

	Cost	Depreciation Expense	Accumulated Depreciation
Computer equipment	$ 87,622	$ 19,034	$ 50,806
Computer database and software	259,728	66,479	70,683
Furniture and fixtures	55,647	26,400	51,777
Leasehold improvements	43,211	7,365	38,661
Total	$ 446,208	$ 119,278	$ 211,927

5. INVESTMENTS AND FAIR VALUE MEASUREMENTS

The following table presents the Institute's investments measured as fair value within the U.S. GAAP fair value hierarchy at December 31, 2017:

	Fair Value	Level
Money market funds	$ 3,269,246	1
Certificates of deposits	129,179	N/A
Total investments	$ 3,398,425	

6. DEFERRED REVENUE

Deferred revenue as of December 31,2017 consists of the following:

Membership dues	$ 1,328,270
Conference and exhibitor fees	380,476
Sponsorships	1,266,500
	$ 2,975,246

7. RETIREMENT PLANS

The Institute has established a 401(k) plan matching employee contributions 100% on the first 3% of their salary and 50% on the next 2% of their salary. Retirement expense for the year ended December 31, 2017 was $113,753.

The Institute also sponsors a deferred compensation plan under IRC Section 457(f). Eligible employees may elect to have amounts, subject to statutory limits, which are annually adjusted, withheld from their compensation and contributed to funds established for the employees' benefit. Deferred compensation assets held by the Institute under the plan total $304,808 year ended December 31, 2017. These amounts are reflected within the consolidated statements of financial position as an asset and corresponding liability. Additionally, amounts totaling $141,444 as of December 31, 2017, have not been funded to the plan, but have been accrued and are reported in retirement plan liabilities in the consolidated statement of financial position.

8. NET ASSETS WITH DONOR RESTRICTION

Net assets with donor restriction as of December 31, 2017 relate to the PAC. The operations of the PAC consist of contributions made by the Institute's members and employees, which are restricted to PAC for operations.

A summary of activity in net assets with donor restriction for the year ended December 31, 2017 is as follows:

	Balance Dec 31, 2016	Support and revenue	Net assets released from restrictions	Balance Dec 31, 2017
Political Action Committee	$ 78,256	$ 134,196	$ 130,500	$ 81,952

9. COMMITMENTS AND CONTINGENCIES

Executive Employment Commitment

The Institute has an agreement for employment with the Chief Executive Officer. Under the terms of the contract, the Institute could be required to pay severance of up to $716,925 under certain circumstances.

Future Meeting Sites

The Institute has entered into several agreements for future meeting sites with various hotels. In the event of cancelation, these agreements indicate that the Institute is liable for liquidated damages. The Institute's commitments for possible liquidated damages totaled approximately $409,585 as of December 31, 2017.

Office Lease

The Institute entered into a lease agreement for office space with a term commencing March 1, 2012 through February 28, 2018. The lease terms include a rent abatement of three months. The lease contains an annual automatic increase at a compound rate of 2.5% and requires the Institute to maintain a security deposit with a local financial institution. The Institute established a letter of credit in the amount of $22,002 as of December 31, 2017 in order to maintain the security and is secured by a certificate of deposit. The certificate of deposit is included in the investments line on the consolidated statement of financial position. There were no drawdowns on this letter of credit for the years ended December 31, 2017

9. COMMITMENTS AND CONTINGENCIES (Continued)

Rent expense and rent abatements are recognized on a straight-line basis over the term of the lease, with the difference between the straight-line rent and the actual rent payments being recorded as deferred rent in the consolidated statement of financial position. The minimum future payments under the lease as of December 31, 2017 are $79,357 for fiscal year 2018. Rent expense for the year ended December 31, 2017 was $464,886.

New Office Lease

Prior to year end, the Institute entered into a new twelve-year lease agreement that commenced March 1, 2018 and expires February 28, 2029. The lease terms contain an annual automatic increase at a compound rate of 2.5%, and requires the Institute to maintain a security deposit with a local financial institution. The Institute established a letter of credit in the amount of $170,954 as of December 31, 2017, in order to maintain the security deposit, which is secured by a certificate of deposit. There were no drawdowns on this letter of credit for the year ended December 31, 2017.

Future minimum lease payments under this lease as of December 31, 2017 are as follows:

2018	$ -
2019	467,274
2020	715,513
2021	733,401
2022	751,736
Thereafter	5,217,181
	$ 7,885,105

10. SUBSEQUENT EVENTS

The Institute has evaluated subsequent events for disclosure and recognition through September 28, 2018, the date on which these consolidated financial statements were available to be issued.

Future Meeting Sites

Subsequent to year end, the Institute entered into an agreement for a future meeting site with a hotel. In the event of cancelation, this agreement indicates that the Institute is liable for liquidated damages. The Institute's commitment for possible liquidated damages for this agreement totaled approximately $65,867 as of September 28, 2018, the date in which these consolidated financial statements were available to be issued.

10. SUBSEQUENT EVENTS (Continued)

Employment Matter

Subsequent to year end, the Institute went to settlement on an employment matter in the amount of $100,000.