

Combined Financial Statements and
Supplementary Information Together with
Report of Independent Certified Public Accountants

**NEW JERSEY SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS
AND AFFILIATES**

May 31, 2017 and 2016

NEW JERSEY SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS AND AFFILIATES

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Trustees of the
New Jersey Society of Certified Public Accountants

We have audited the accompanying combined financial statements of the New Jersey Society of Certified Public Accountants (the "NJCPA") and Affiliates (see Note 1 to the combined financial statements), which comprise the combined statements of financial position as of May 31, 2017 and 2016, and the related combined statements of activities and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entities' preparation and fair presentation of the combined 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 entities' 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the combined financial position of the New Jersey Society of Certified Public Accountants and Affiliates as of May 31, 2017 and 2016, and the combined changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Supplementary information

Our audits were conducted for the purpose of forming an opinion on the basic 2017 and 2016 combined financial statements as a whole. The accompanying combining schedules of financial position of the New Jersey Society of Certified Public Accountants (the "NJCPA"), the NJCPA Education Foundation, Inc. (the "Foundation") and the NJCPA Scholarship Fund (the "Scholarship Fund") as of May 31, 2017 and 2016 on pages 15 and 18, and the related combining schedules of activities and cash flows for the years then ended on pages 16 and 19 and 17 and 20, respectively, are presented for purposes of additional analysis and are not a required part of the basic combined financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic combined financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the combined financial statements as a whole.



Iselin, New Jersey
September 12, 2017

NEW JERSEY SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS AND AFFILIATES

Combined Statements of Financial Position

ASSETS	May 31,	
	2017	2016
Cash and cash equivalents	\$ 5,779,312	\$ 5,810,762
Accounts receivable	77,954	196,826
Prepaid expenses	265,843	260,449
Investments	6,837,498	6,194,663
Property and equipment, net	<u>209,902</u>	<u>251,179</u>
Total assets	<u>\$ 13,170,509</u>	<u>\$ 12,713,879</u>
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 700,374	\$ 548,108
Deferred revenue	2,334,874	2,171,563
Deferred rent	<u>153,835</u>	<u>219,112</u>
Total liabilities	<u>3,189,083</u>	<u>2,938,783</u>
Commitments (Note 8)		
NET ASSETS		
Unrestricted	7,179,719	7,066,331
Temporarily restricted	<u>2,801,707</u>	<u>2,708,765</u>
Total net assets	<u>9,981,426</u>	<u>9,775,096</u>
Total liabilities and net assets	<u>\$ 13,170,509</u>	<u>\$ 12,713,879</u>

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

NEW JERSEY SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS AND AFFILIATES

Combined Statements of Activities

	Years ended May 31,	
	2017	2016
CHANGES IN UNRESTRICTED NET ASSETS		
Revenues and other support		
Membership dues and other fees	\$ 3,652,270	\$ 3,676,600
Educational program fees	3,217,039	3,264,538
Peer review fees	413,645	427,183
Publication, directory and website advertising	65,170	82,855
Investment income (loss)	429,715	(74,961)
Royalties and commissions	193,739	222,052
Special events	80,655	102,370
Other	161,176	143,640
Net assets released from restrictions	<u>313,375</u>	<u>301,382</u>
Total unrestricted revenues and other support	<u>8,526,784</u>	<u>8,145,659</u>
Expenses		
Salaries, payroll taxes and employee benefits	4,100,618	4,049,793
Direct costs of educational programs	2,068,911	2,160,114
Rent and occupancy	435,973	437,521
Printing and distribution	86,300	119,077
Scholarship awards	457,750	464,119
Office and supplies	249,473	241,699
Professional fees	348,490	256,964
Travel and meetings	134,122	136,402
Depreciation and amortization	93,051	134,943
Special events	118,164	145,861
Other general	<u>320,544</u>	<u>329,236</u>
Total expenses	<u>8,413,396</u>	<u>8,475,729</u>
Increase (decrease) in unrestricted net assets	<u>113,388</u>	<u>(330,070)</u>
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Contributions	167,213	149,137
Investment income (loss)	239,104	(94,466)
Net assets released from restrictions	<u>(313,375)</u>	<u>(301,382)</u>
Increase (decrease) in temporarily restricted net assets	<u>92,942</u>	<u>(246,711)</u>
Changes in net assets	206,330	(576,781)
Net assets at beginning of year	<u>9,775,096</u>	<u>10,351,877</u>
Net assets at end of year	<u>\$ 9,981,426</u>	<u>\$ 9,775,096</u>

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

NEW JERSEY SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS AND AFFILIATES

Combined Statements of Cash Flows

	Years ended May 31,	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from dues, program fees and contributions	\$ 8,234,597	\$ 7,571,570
Interest and dividends received, net of fees	169,645	210,845
Cash paid to employees, vendors and others	<u>(8,238,750)</u>	<u>(8,388,111)</u>
Net cash provided by (used in) operating activities	<u>165,492</u>	<u>(605,696)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Redemption of investments	1,348,422	1,072,502
Purchases of investments	(1,492,081)	(1,175,297)
Acquisition of property and equipment	(53,283)	(134,684)
Acquisition and development of software systems	<u>-</u>	<u>(7,200)</u>
Net cash used in investing activities	<u>(196,942)</u>	<u>(244,679)</u>
Net decrease in cash and cash equivalents	(31,450)	(850,375)
Cash and cash equivalents at beginning of year	<u>5,810,762</u>	<u>6,661,137</u>
Cash and cash equivalents at end of year	<u>\$ 5,779,312</u>	<u>\$ 5,810,762</u>
Reconciliation of changes in net assets to net cash provided by (used in) operating activities		
Changes in net assets	\$ 206,330	\$ (576,781)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	93,051	134,943
Realized (gains) losses on sales of investments	(32,951)	19,641
Unrealized (gains) losses on investments	(466,223)	360,631
Loss on disposal of equipment	1,507	-
Increase (decrease) in cash from changes in operating assets and liabilities		
Accounts receivable	118,872	(139,649)
Prepaid expenses	(5,394)	51,992
Accounts payable and accrued expenses	152,266	(27,673)
Deferred revenue	163,311	(365,009)
Deferred rent	<u>(65,277)</u>	<u>(63,791)</u>
Net cash provided by (used in) operating activities	<u>\$ 165,492</u>	<u>\$ (605,696)</u>

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

NEW JERSEY SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS AND AFFILIATES

Notes to Combined Financial Statements

May 31, 2017 and 2016

1. NATURE OF ORGANIZATION

The New Jersey Society of Certified Public Accountants (the "NJCPA") is the professional organization of Certified Public Accountants in New Jersey. It was incorporated under New Jersey law in 1898, making it one of the oldest professional bodies of certified public accountants in the United States. Governed by a Board of Trustees of 18, the mission of the NJCPA is to serve the needs of its members. The NJCPA promotes and maintains high professional and ethical standards of the certified public accountant in the State of New Jersey, develops and improves accountancy education, and protects the interests of the public and members of the NJCPA.

The NJCPA Education Foundation, Inc., formerly known as the NJSCPA Education Foundation, Inc. (the "Foundation") was established in 1991 to provide continuing education programs to members of the NJCPA and their staff. The Foundation is governed by a Board of Trustees of six, all of whom serve as officers of the NJCPA.

The NJCPA Scholarship Fund, formerly known as the NJSCPA Scholarship Fund (the "Scholarship Fund"), a trust, was established in 1979 primarily to provide scholarships to eligible students for the study of accounting, auditing and related business subjects. The Scholarship Fund is governed by a Board of Trustees of 13, three of whom are officers of the NJCPA.

The accompanying combined financial statements include the accounts of the NJCPA, the Foundation, and the Scholarship Fund (the "NJCPA and Affiliates"). They also include the revenues, expenses, assets, liabilities and cash flows of the NJCPA's 11 chapters, which are not separately incorporated. All significant inter-entity transactions and balances are eliminated in combination.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies of the New Jersey Society of Certified Public Accountants and Affiliates.

Basis of Presentation

The accompanying combined financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

Net Assets

The NJCPA and Affiliates' net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed stipulations. Unrestricted net assets represent net assets that are not subject to donor-imposed stipulations and are available for the general operations of the NJCPA and Affiliates.

Temporarily restricted net assets represent net assets, which are subject to donor-imposed stipulations that will be met either by actions of the NJCPA and Affiliates or the passage of time, or both. The net assets of the Scholarship Fund are considered temporarily restricted in the accompanying combined financial statements and totaled approximately \$2,802,000 and

NEW JERSEY SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS AND AFFILIATES

Notes to Combined Financial Statements

May 31, 2017 and 2016

\$2,709,000 as of May 31, 2017 and 2016, respectively. Expirations of temporary restrictions on net assets, that is, the donor-imposed stipulated purpose has been accomplished, or the stipulated time period has elapsed, are reported as net assets released from restrictions. Net assets released from restrictions during the years ended May 31, 2017 and 2016 totaled approximately \$313,000 and \$301,000, respectively.

Permanently restricted net assets represent net assets that are subject to donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or removed by actions of the NJCPA and Affiliates. The NJCPA and Affiliates had no permanently restricted net assets as of May 31, 2017 and 2016.

In May 2017, pursuant to internal policy, the NJCPA Board approved the following designations of unrestricted net assets: \$2,300,000 as an operating reserve and \$1,500,000 as a reserve for the potential NJCPA office renovation/relocation. Upon the NJCPA and Affiliates adoption of ASU 2016-14 in fiscal 2019, consideration will be given to the broad presentation of these designations on the Statement of Financial Position.

Use of Estimates

The preparation of financial statements, in conformity with US GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Property and Equipment

Property and equipment with a cost in excess of \$1,500 are capitalized and depreciated, using the straight-line method, over the estimated useful lives of ten years for furniture and fixtures and three to seven years for office and computer equipment, including software, both purchased and internally developed. Leasehold improvements are amortized, using the straight-line method, over the lease term or the useful lives of the betterments, whichever is shorter.

Concentrations of Market or Credit Risk

Financial instruments, which potentially subject the NJCPA and Affiliates to concentrations of credit risk, consist principally of cash and cash equivalents, investments and accounts receivable. The policy of the NJCPA and Affiliates regarding investment of excess cash provides for the strategic placement of such cash in demand accounts or certificates of deposit with high quality financial institutions, or the investment of such cash in a diversified portfolio of mutual funds. Accounts receivable are generally spread among a large number of individuals and are reflected at their net realizable value, based on a specific review of the collectability of individual accounts.

Cash and cash equivalents are concentrated in a few financial institutions resulting in balances that exceed the Federal Deposit Insurance Corporation insurance limit. The management of the NJCPA and Affiliates monitors the creditworthiness of these financial institutions to minimize the risk of credit loss. At May 31, 2017 and 2016, such excess balances totaled approximately \$3,439,000 and \$3,613,000, respectively. NJCPA and Affiliates management does not anticipate nonperformance by any of these financial institutions.

NEW JERSEY SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS AND AFFILIATES

Notes to Combined Financial Statements

May 31, 2017 and 2016

Revenue Recognition

Revenue from membership dues is recognized ratably over the term of the membership year, June 1 to May 31. Revenue for continuing professional education programs, including related sponsor and exhibitor income, is recognized upon the presentation of the respective program to which it pertains. Royalty and commission income is derived from member affinity programs as well as on-site and web-based educational offerings and is recognized when earned. Special events include member networking events and leader and student training programs. Revenues and expenses relative to these events are recognized upon occurrence of the respective event for which they pertain.

Amounts received in advance of the membership year or continuing professional education program are treated as deferred revenue in the combined financial statements.

The Scholarship Fund recognizes contributions in the year received or pledged.

Donated Services

Certain activities of the NJCPA and Affiliates are conducted by volunteers, many of whom are members. The accompanying combined financial statements do not reflect the value of those and certain other contributed services because they do not meet the recognition criteria of the accounting guidance governing contributions received.

Allocation of Expenses

Various expenses, including occupancy costs and salaries, have been allocated among the NJCPA, the Foundation and the Scholarship Fund based upon services rendered by common personnel and usage of common facilities.

Income Taxes

The NJCPA is intended to be exempt from federal income tax under Internal Revenue Code Section 501(c)(6) and the Foundation and Scholarship Fund are exempt under Section 501(c)(3). Federal income taxes apply, however, to unrelated business income, which at present has been limited to advertising revenues earned by the NJCPA. Taxes on such income totaled \$2,100 and \$1,600 for the years ended May 31, 2017 and 2016, respectively.

The NJCPA engages in lobbying activities and is therefore subject to certain requirements and a potential proxy tax. In lieu of paying such proxy tax, the NJCPA elects to disclose to its members the nondeductible portion of their dues related to lobbying expenditures.

Guidance in the area of "Accounting for Uncertainty in Income Taxes" clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This standard provides that the tax effects from an uncertain tax position can be recognized in the financial statements only if the position is "more-likely-than-not" to be sustained if the position were to be challenged by a taxing authority. The standard also provides guidance on measurement, classification, interest and penalties, and disclosure. The NJCPA and Affiliates have concluded that there are no uncertain tax positions within the accompanying combined financial statements. The NJCPA and Affiliates have

NEW JERSEY SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS AND AFFILIATES

Notes to Combined Financial Statements May 31, 2017 and 2016

processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. The tax years ended May 31, 2014, 2015, 2016 and 2017 are still open for both federal and state purposes.

Cash Equivalents

The NJCPA and Affiliates consider all debt securities with original maturities at date of purchase of three months or less to be cash equivalents. However, money market mutual funds, held as part of the NJCPA and Affiliates' long-term investment strategy, are included in investments.

Subsequent Events

The NJCPA and Affiliates evaluated subsequent events through September 12, 2017, the date the combined financial statements were available to be issued.

3. INVESTMENTS

The NJCPA and Affiliates follow the accounting guidance governing "Fair Value Measurements," which defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. The standard provides a consistent definition of fair value which focuses on an exit price between market participants in an orderly transaction. The standard also prioritizes, within the measurement of fair value, the use of market-based information over entity-specific information and establishes a three-level hierarchy for fair value measurements based on the transparency of information used in the valuation of an asset or liability as of the measurement date.

Investments measured and reported at fair value are classified and disclosed in one of the following categories:

- Level I - Quoted prices are available in active markets for identical investments as of the measurement date.
- Level II - Pricing inputs, including broker quotes, are generally those other than exchange quoted prices in active markets, which are either directly or indirectly observable as of the measurement date, and fair value is determined through the use of models or other valuation methodologies.
- Level III - Pricing inputs are unobservable and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation.

**NEW JERSEY SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS
AND AFFILIATES**

**Notes to Combined Financial Statements
May 31, 2017 and 2016**

The NJCPA and Affiliates held only Level I investments, consisting of open-end mutual funds and exchange traded funds, as of May 31, 2017 and 2016. Investments at fair value consist of the following:

	<u>2017</u>	<u>2016</u>
US equity funds	\$ 1,937,890	\$ 1,836,522
International equity funds	1,628,294	1,360,085
Fixed income mutual funds	2,246,218	2,013,165
Marketable alternative investment mutual funds:		
Real estate	186,846	185,399
Diversifiers	476,764	436,715
Commodities	257,907	288,249
Cash and cash equivalents	<u>103,579</u>	<u>74,528</u>
 Total fair value (based on quoted market prices)	 <u>\$ 6,837,498</u>	 <u>\$ 6,194,663</u>

Investment income (loss) consists of the following:

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 215,117	\$ 254,839
Realized gains (losses)	32,951	(19,641)
Unrealized gains (losses)	466,223	(360,631)
Investment fees	<u>(45,472)</u>	<u>(43,994)</u>
	 <u>\$ 668,819</u>	 <u>\$ (169,427)</u>

Investment income (loss) is included in the combined financial statements as follows:

	<u>2017</u>	<u>2016</u>
Unrestricted	\$ 429,715	\$ (74,961)
Temporarily restricted	<u>239,104</u>	<u>(94,466)</u>
	 <u>\$ 668,819</u>	 <u>\$ (169,427)</u>

Investment income (loss) includes earnings on cash and cash equivalents, which totaled approximately \$26,000 and \$31,000 for the years ended May 31, 2017 and 2016, respectively.

NEW JERSEY SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS AND AFFILIATES

Notes to Combined Financial Statements May 31, 2017 and 2016

4. PROPERTY AND EQUIPMENT, NET

Property and equipment, net, consist of the following:

	<u>2017</u>	<u>2016</u>
Furniture and fixtures	\$ 448,767	\$ 448,767
Office equipment	196,169	196,849
Leasehold improvements	119,831	119,831
Computer equipment and software	<u>984,488</u>	<u>974,668</u>
	1,749,255	1,740,115
Less: Accumulated depreciation and amortization	<u>(1,539,353)</u>	<u>(1,496,136)</u>
	209,902	243,979
Add: Software systems in development	<u>-</u>	<u>7,200</u>
	<u>\$ 209,902</u>	<u>\$ 251,179</u>

As of May 31, 2016, property and equipment includes approximately \$7,000, of capitalized costs related to system enhancements which were in process and subsequently placed into service during fiscal 2017 and depreciated consistently with established policies. During fiscal 2017 and 2016, the NJCPA capitalized software development costs, including direct labor, totaling \$21,000 and \$32,000, respectively.

5. FUNCTIONAL EXPENSES

The combined expenses of the NJCPA, the Foundation and the Scholarship Fund are summarized below by major functional area. Certain expenses have been allocated among the programs and services benefited.

	<u>2017</u>	<u>2016</u>
Program services		
Membership activities	\$ 1,220,762	\$ 1,285,641
Communications and public relations	889,803	809,232
Educational activities	2,910,175	3,001,996
Peer review	413,549	394,947
Career awareness	<u>657,253</u>	<u>634,018</u>
Total program services	<u>6,091,542</u>	<u>6,125,834</u>
Support services		
Membership development activities	307,503	399,133
Fundraising	18,043	11,842
Management and general	<u>1,996,308</u>	<u>1,938,920</u>
Total support services	<u>2,321,854</u>	<u>2,349,895</u>
	<u>\$ 8,413,396</u>	<u>\$ 8,475,729</u>

NEW JERSEY SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS AND AFFILIATES

Notes to Combined Financial Statements

May 31, 2017 and 2016

6. LEASES

In February 1989, the NJCPA entered into a ten-year lease for approximately 22,000 square feet of office space in Roseland, New Jersey, which serves as its operating and educational facility. This lease agreement has been amended three times and extended a total of 20 years through June 30, 2019. Throughout the extended term, there have been a series of rent abatements and the second amendment provided for a reduction in office space to approximately 18,000 square feet. The base year for purposes of escalations has also been modified and is currently December 31, 2009.

Minimum rental payments are due as follows:

Years ending May 31,	
2018	\$ 469,000
2019	485,000
2020	<u>41,000</u>
	<u>\$ 995,000</u>

Since the cash payments are not equal over the term of the lease, the total rental payments are accounted for on a straight-line basis over the life of the lease. Accordingly, deferred rent of approximately \$154,000 and \$219,000 has been recorded as of May 31, 2017 and 2016, respectively.

Total rental expense for the years ended May 31, 2017 and 2016 amounted to approximately \$436,000 and \$438,000, respectively. The aforementioned rentals include utility and occupancy costs of approximately \$32,000 and \$34,000 in 2017 and 2016, respectively.

7. RETIREMENT PLAN

The NJCPA sponsors a defined contribution plan covering all employees who have attained the age of 20. The Plan permits elective deferrals pursuant to Internal Revenue Code Section 401(k) with matching contributions by the NJCPA to a maximum of 3% of compensation. Roth elective deferrals are also permitted. Effective January 1, 2015, the Plan provides for a safe harbor nonelective contribution of 3% of compensation. In addition, the Plan provides for annual discretionary contributions by the NJCPA for all participants who are employed on December 31 and complete 1,000 hours of service. The NJCPA's contributions to the Plan for the years ended May 31, 2017 and 2016 totaled approximately \$179,000 and \$184,000, respectively.

8. COMMITMENTS

Scholarship Awards

Scholarship awards to students entering college are paid over a period of four years. Annual installments are reviewed and payable provided that the recipient maintains certain grade averages and complies with other stipulations of the award. Payments totaled \$161,000 and \$148,000 for the years ended May 31, 2017 and 2016, respectively. At May 31, 2017, conditional awards totaled \$455,000 and are scheduled to be paid through the year ending May 31, 2021.

NEW JERSEY SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS AND AFFILIATES

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9. RELATED PARTY

Certain NJCPA staff members perform services on behalf of a related entity, the New Jersey CPA Political Action Committee (the "Committee"), including fundraising and administrative services. The value of services provided for each of the years ended May 31, 2017 and 2016 totaled approximately \$11,000 and of these amounts, approximately \$7,000 was deemed a contribution, each year, as permissible under NJ Election Law, with the balance reimbursed by the Committee.

SUPPLEMENTARY INFORMATION

**NEW JERSEY SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS
AND AFFILIATES**
Combining Schedule of Financial Position
May 31, 2017

ASSETS	NJCPA	Foundation	Scholarship Fund	Eliminations	Combined
Cash and cash equivalents	\$ 3,965,975	\$ 1,240,942	\$ 572,395	\$ -	\$ 5,779,312
Accounts receivable	52,562	25,392	-	-	77,954
Prepaid expenses	89,123	175,720	1,000	-	265,843
Investments	3,052,470	1,299,848	2,485,180	-	6,837,498
Property and equipment, net	<u>198,864</u>	<u>11,038</u>	<u>-</u>	<u>-</u>	<u>209,902</u>
Total assets	<u>\$ 7,358,994</u>	<u>\$ 2,752,940</u>	<u>\$ 3,058,575</u>	<u>\$ -</u>	<u>\$ 13,170,509</u>
 LIABILITIES AND NET ASSETS					
Accounts payable and accrued expenses	\$ 366,579	\$ 52,295	\$ 281,500	\$ -	\$ 700,374
Deferred revenue	1,605,839	729,035	-	-	2,334,874
Deferred rent	153,835	-	-	-	153,835
Due to (from) affiliated entity	<u>31,156</u>	<u>(6,524)</u>	<u>(24,632)</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>2,157,409</u>	<u>774,806</u>	<u>256,868</u>	<u>-</u>	<u>3,189,083</u>
 Commitments					
NET ASSETS					
Unrestricted	5,201,585	1,978,134	-	-	7,179,719
Temporarily restricted	<u>-</u>	<u>-</u>	<u>2,801,707</u>	<u>-</u>	<u>2,801,707</u>
Total net assets	<u>5,201,585</u>	<u>1,978,134</u>	<u>2,801,707</u>	<u>-</u>	<u>9,981,426</u>
Total liabilities and net assets	<u>\$ 7,358,994</u>	<u>\$ 2,752,940</u>	<u>\$ 3,058,575</u>	<u>\$ -</u>	<u>\$ 13,170,509</u>

This schedule should be read in conjunction with the accompanying combined financial statements and notes thereto and report of independent certified public accountants.

**NEW JERSEY SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS
AND AFFILIATES**
Combining Schedule of Activities
May 31, 2017

	NJCPA	Foundation	Scholarship Fund	Eliminations	Combined
CHANGES IN UNRESTRICTED NET ASSETS					
Revenues and other support					
Membership dues and other fees	\$ 3,652,270	\$ -	\$ -	\$ -	\$ 3,652,270
Educational program fees	-	3,217,039	-	-	3,217,039
Peer review fees	413,645	-	-	-	413,645
Publication, directory and website advertising	65,170	-	-	-	65,170
Investment income	311,022	118,693	-	-	429,715
Royalties and commissions	129,509	64,230	-	-	193,739
Special events	80,655	-	-	-	80,655
Other	161,176	-	-	-	161,176
Net assets released from restrictions	-	-	535,495	(222,120)	313,375
Total unrestricted revenues and other support	4,813,447	3,399,962	535,495	(222,120)	8,526,784
Expenses					
Salaries, payroll taxes and employee benefits	3,084,718	967,100	48,800	-	4,100,618
Direct costs of educational programs	-	2,085,501	13,650	(30,240)	2,068,911
Rent and occupancy	365,273	64,000	6,700	-	435,973
Printing and distribution	58,419	26,425	1,456	-	86,300
Scholarship awards	12,500	179,380	457,750	(191,880)	457,750
Office and supplies	214,553	31,755	3,165	-	249,473
Professional fees	324,067	24,423	-	-	348,490
Travel and meetings	129,813	3,220	1,089	-	134,122
Depreciation and amortization	70,586	21,165	1,300	-	93,051
Special events	118,164	-	-	-	118,164
Other general	237,304	81,655	1,585	-	320,544
Total expenses	4,615,397	3,484,624	535,495	(222,120)	8,413,396
Increase (decrease) in unrestricted net assets	198,050	(84,662)	-	-	113,388
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS					
Contributions	-	-	389,333	(222,120)	167,213
Investment income	-	-	239,104	-	239,104
Net assets released from restrictions	-	-	(535,495)	222,120	(313,375)
Increase in temporarily restricted net assets	-	-	92,942	-	92,942
Changes in net assets	198,050	(84,662)	92,942	-	206,330
Net assets at beginning of year	5,003,535	2,062,796	2,708,765	-	9,775,096
Net assets at end of year	\$ 5,201,585	\$ 1,978,134	\$ 2,801,707	\$ -	\$ 9,981,426

This schedule should be read in conjunction with the accompanying combined financial statements and notes thereto and report of independent certified public accountants.

**NEW JERSEY SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS
AND AFFILIATES**
Combining Schedule of Cash Flows
May 31, 2017

	NJCPA	Foundation	Scholarship Fund	Eliminations	Combined
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from dues, program fees and contributions	\$ 4,712,734	\$ 3,354,650	\$ 389,333	\$ (222,120)	\$ 8,234,597
Interest and dividends received, net of fees	83,434	33,010	53,201	-	169,645
Cash paid to employees, vendors and others	<u>(4,447,213)</u>	<u>(3,509,034)</u>	<u>(504,623)</u>	<u>222,120</u>	<u>(8,238,750)</u>
Net cash provided by (used in) operating activities	<u>348,955</u>	<u>(121,374)</u>	<u>(62,089)</u>	<u>-</u>	<u>165,492</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Redemption of investments	578,447	295,344	474,631	-	1,348,422
Purchases of investments	(643,112)	(322,157)	(526,812)	-	(1,492,081)
Acquisition of property and equipment	(53,283)	-	-	-	(53,283)
Acquisition and development of software systems	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net cash used in investing activities	<u>(117,948)</u>	<u>(26,813)</u>	<u>(52,181)</u>	<u>-</u>	<u>(196,942)</u>
Net increase (decrease) in cash and cash equivalents	231,007	(148,187)	(114,270)	-	(31,450)
Cash and cash equivalents at beginning of year	<u>3,734,967</u>	<u>1,389,130</u>	<u>686,665</u>	<u>-</u>	<u>5,810,762</u>
Cash and cash equivalents at end of year	<u>\$ 3,965,974</u>	<u>\$ 1,240,943</u>	<u>\$ 572,395</u>	<u>\$ -</u>	<u>\$ 5,779,312</u>
Reconciliation of changes in net assets to net cash provided by (used in) operating activities					
Changes in net assets	\$ 198,050	\$ (84,662)	\$ 92,942	\$ -	\$ 206,330
Adjustments to reconcile changes in net assets to net cash used in operating activities					
Depreciation and amortization	70,586	21,165	1,300	-	93,051
Realized gains on sales of investments	(12,525)	(8,183)	(12,243)	-	(32,951)
Unrealized gains on investments	(215,067)	(77,497)	(173,659)	-	(466,223)
Loss on disposal of equipment	1,507	-	-	-	1,507
Increase (decrease) in cash from changes in operating assets and liabilities					
Accounts receivable	119,385	(513)	-	-	118,872
Prepaid expenses	8,348	(12,742)	(1,000)	-	(5,394)
Due (to) from affiliated entity, net	3,527	(8,598)	5,071	-	-
Accounts payable and accrued expenses	151,002	(24,236)	25,500	-	152,266
Deferred revenue	89,419	73,892	-	-	163,311
Deferred rent	<u>(65,277)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(65,277)</u>
Net cash provided by (used in) operating activities	<u>\$ 348,955</u>	<u>\$ (121,374)</u>	<u>\$ (62,089)</u>	<u>\$ -</u>	<u>\$ 165,492</u>

This schedule should be read in conjunction with the accompanying combined financial statements and notes thereto and report of independent certified public accountants.

**NEW JERSEY SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS
AND AFFILIATES**
Combining Schedule of Financial Position
May 31, 2016

ASSETS	NJCPA	Foundation	Scholarship Fund	Eliminations	Combined
Cash and cash equivalents	\$ 3,734,967	\$ 1,389,130	\$ 686,665	\$ -	\$ 5,810,762
Accounts receivable	171,947	24,879	-	-	196,826
Prepaid expenses	97,470	162,979	-	-	260,449
Investments	2,760,214	1,187,353	2,247,096	-	6,194,663
Property and equipment, net	<u>231,376</u>	<u>19,803</u>	<u>-</u>	<u>-</u>	<u>251,179</u>
Total assets	<u>\$ 6,995,974</u>	<u>\$ 2,784,144</u>	<u>\$ 2,933,761</u>	<u>\$ -</u>	<u>\$ 12,713,879</u>
 LIABILITIES AND NET ASSETS					
Accounts payable and accrued expenses	\$ 215,577	\$ 76,531	\$ 256,000	\$ -	\$ 548,108
Deferred revenue	1,516,420	655,143	-	-	2,171,563
Deferred rent	219,112	-	-	-	219,112
Due to (from) affiliated entity	<u>41,330</u>	<u>(10,326)</u>	<u>(31,004)</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>1,992,439</u>	<u>721,348</u>	<u>224,996</u>	<u>-</u>	<u>2,938,783</u>
 Commitments					
 NET ASSETS					
Unrestricted	5,003,535	2,062,796	-	-	7,066,331
Temporarily restricted	<u>-</u>	<u>-</u>	<u>2,708,765</u>	<u>-</u>	<u>2,708,765</u>
Total net assets	<u>5,003,535</u>	<u>2,062,796</u>	<u>2,708,765</u>	<u>-</u>	<u>9,775,096</u>
Total liabilities and net assets	<u>\$ 6,995,974</u>	<u>\$ 2,784,144</u>	<u>\$ 2,933,761</u>	<u>\$ -</u>	<u>\$ 12,713,879</u>

This schedule should be read in conjunction with the accompanying combined financial statements and notes thereto and report of independent certified public accountants.

**NEW JERSEY SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS
AND AFFILIATES**
Combining Schedule of Activities
May 31, 2016

	NJCPA	Foundation	Scholarship Fund	Eliminations	Combined
CHANGES IN UNRESTRICTED NET ASSETS					
Revenues and other support					
Membership dues and other fees	\$ 3,676,600	\$ -	\$ -	\$ -	\$ 3,676,600
Educational program fees	-	3,264,538	-	-	3,264,538
Peer review fees	427,183	-	-	-	427,183
Publication, directory and website advertising	82,855	-	-	-	82,855
Investment loss	(63,986)	(10,975)	-	-	(74,961)
Royalties and commissions	162,404	59,648	-	-	222,052
Special events	102,370	-	-	-	102,370
Other	143,640	-	-	-	143,640
Net assets released from restrictions	-	-	549,002	(247,620)	301,382
Total unrestricted revenues and other support	4,531,066	3,313,211	549,002	(247,620)	8,145,659
Expenses					
Salaries, payroll taxes and employee benefits	3,023,293	973,100	53,400	-	4,049,793
Direct costs of educational programs	-	2,170,589	15,645	(26,120)	2,160,114
Rent and occupancy	368,321	62,500	6,700	-	437,521
Printing and distribution	82,447	35,276	1,354	-	119,077
Scholarship awards	13,000	208,500	464,119	(221,500)	464,119
Office and supplies	212,677	25,558	3,464	-	241,699
Professional fees	242,632	14,332	-	-	256,964
Travel and meetings	131,515	3,997	890	-	136,402
Depreciation and amortization	105,152	27,891	1,900	-	134,943
Special events	145,861	-	-	-	145,861
Other general	233,213	94,493	1,530	-	329,236
Total expenses	4,558,111	3,616,236	549,002	(247,620)	8,475,729
Decrease in unrestricted net assets	(27,045)	(303,025)	-	-	(330,070)
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS					
Contributions	-	-	396,757	(247,620)	149,137
Investment loss	-	-	(94,466)	-	(94,466)
Net assets released from restrictions	-	-	(549,002)	247,620	(301,382)
Decrease in temporarily restricted net assets	-	-	(246,711)	-	(246,711)
Changes in net assets	(27,045)	(303,025)	(246,711)	-	(576,781)
Net assets at beginning of year	5,030,580	2,365,821	2,955,476	-	10,351,877
Net assets at end of year	<u>\$ 5,003,535</u>	<u>\$ 2,062,796</u>	<u>\$ 2,708,765</u>	<u>\$ -</u>	<u>\$ 9,775,096</u>

This schedule should be read in conjunction with the accompanying combined financial statements and notes thereto and report of independent certified public accountants.

**NEW JERSEY SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS
AND AFFILIATES**
Combining Schedule of Cash Flows
May 31, 2016

	NJCPA	Foundation	Scholarship Fund	Eliminations	Combined
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from dues, program fees and contributions	\$ 4,133,905	\$ 3,288,528	\$ 396,757	\$ (247,620)	\$ 7,571,570
Interest and dividends received, net of fees	97,158	41,410	72,277	-	210,845
Cash paid to employees, vendors and others	<u>(4,467,120)</u>	<u>(3,575,250)</u>	<u>(593,361)</u>	<u>247,620</u>	<u>(8,388,111)</u>
Net cash used in operating activities	<u>(236,057)</u>	<u>(245,312)</u>	<u>(124,327)</u>	<u>-</u>	<u>(605,696)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Redemption of investments	161,620	296,625	614,257	-	1,072,502
Purchases of investments	(238,929)	(577,640)	(358,728)	-	(1,175,297)
Acquisition of property and equipment	(134,684)	-	-	-	(134,684)
Acquisition and development of software systems	<u>(7,200)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,200)</u>
Net cash provided by (used in) investing activities	<u>(219,193)</u>	<u>(281,015)</u>	<u>255,529</u>	<u>-</u>	<u>(244,679)</u>
Net increase (decrease) in cash and cash equivalents	(455,250)	(526,327)	131,202	-	(850,375)
Cash and cash equivalents at beginning of year	<u>4,190,217</u>	<u>1,915,457</u>	<u>555,463</u>	<u>-</u>	<u>6,661,137</u>
Cash and cash equivalents at end of year	<u>\$ 3,734,967</u>	<u>\$ 1,389,130</u>	<u>\$ 686,665</u>	<u>\$ -</u>	<u>\$ 5,810,762</u>
Reconciliation of changes in net assets to net cash provided by (used in) operating activities					
Changes in net assets	\$ (27,045)	\$ (303,025)	\$ (246,711)	\$ -	\$ (576,781)
Adjustments to reconcile changes in net assets to net cash used in operating activities					
Depreciation and amortization	105,152	27,891	1,900	-	134,943
Realized losses on sales of investments	3,225	1,073	15,343	-	19,641
Unrealized losses on investments	157,919	51,312	151,400	-	360,631
Increase (decrease) in cash from changes in operating assets and liabilities					
Accounts receivable	(129,099)	(10,550)	-	-	(139,649)
Prepaid expenses	(2,133)	52,940	1,185	-	51,992
Due (to) from affiliated entity, net	53,443	(56,999)	3,556	-	-
Accounts payable and accrued expenses	6,173	17,154	(51,000)	-	(27,673)
Deferred revenue	(339,901)	(25,108)	-	-	(365,009)
Deferred rent	<u>(63,791)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(63,791)</u>
Net cash used in operating activities	<u>\$ (236,057)</u>	<u>\$ (245,312)</u>	<u>\$ (124,327)</u>	<u>\$ -</u>	<u>\$ (605,696)</u>

This schedule should be read in conjunction with the accompanying combined financial statements and notes thereto and report of independent certified public accountants.