

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, 2020 and 2019

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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, 2020 and 2019, and the related combined statements of activities and cash flows for the years then ended, and the related notes to the 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 entity's 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 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 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 financial position of the New Jersey Society of Certified Public Accountants and Affiliates as of May 31, 2020 and 2019, and the 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 2020 and 2019 combined financial statements as a whole. The accompanying combining schedules of financial position of the NJCPA, the NJCPA Education Foundation, Inc. (the "Foundation") and the NJCPA Scholarship Fund (the "Scholarship Fund") as of May 31, 2020 and 2019 on pages 18 and 21, and the related combining schedules of activities and cash flows for the years then ended on pages 19 and 22 and 20 and 23, 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 audits 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 3, 2020

New Jersey Society of Certified Public Accountants and Affiliates

COMBINED STATEMENTS OF FINANCIAL POSITION

ASSETS	May 31,	
	2020	2019
Cash and cash equivalents	\$ 3,789,602	\$ 4,358,270
Accounts receivable	22,023	20,293
Prepaid expenses	183,484	304,613
Investments	5,390,510	6,803,310
Property and equipment, net	<u>1,297,481</u>	<u>880,883</u>
Total assets	<u><u>\$ 10,683,100</u></u>	<u><u>\$ 12,367,369</u></u>
 LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 622,336	\$ 658,854
Deferred revenue	1,043,817	1,949,308
Deferred rent	<u>70,552</u>	<u>6,627</u>
Total liabilities	<u>1,736,705</u>	<u>2,614,789</u>
Commitments (Notes 7 and 9)		
 NET ASSETS		
Without donor restrictions	6,418,922	7,122,345
With donor restrictions	<u>2,527,473</u>	<u>2,630,235</u>
Total net assets	<u>8,946,395</u>	<u>9,752,580</u>
Total liabilities and net assets	<u><u>\$ 10,683,100</u></u>	<u><u>\$ 12,367,369</u></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,	
	2020	2019
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
REVENUES AND OTHER SUPPORT		
Membership dues and other fees	\$ 3,593,728	\$ 3,593,749
Educational program fees	2,775,432	2,732,711
Peer review fees	348,198	360,258
Publications, directory and website advertising	116,781	90,457
Investment income (loss), net	55,187	(55,668)
Royalties and commissions	255,882	223,503
Special events	38,208	65,324
Other	171,243	187,248
Net assets released from restrictions	<u>265,310</u>	<u>311,002</u>
Total revenues and other support	<u>7,619,969</u>	<u>7,508,584</u>
EXPENSES		
Salaries, payroll taxes and employee benefits	4,260,766	4,080,543
Direct costs of educational programs	1,688,796	1,806,494
Rent and occupancy	429,548	437,682
Printing and distribution	117,765	103,417
Scholarship awards	394,750	419,500
Office and supplies	296,087	254,282
Professional fees	391,543	395,479
Travel and meetings	92,642	111,691
Depreciation and amortization	247,429	99,808
Special events	109,504	127,090
Other	<u>294,562</u>	<u>297,518</u>
Total expenses	<u>8,323,392</u>	<u>8,133,504</u>
Decrease in net assets without donor restrictions	<u>(703,423)</u>	<u>(624,920)</u>
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	170,398	167,251
Investment loss, net	(7,850)	(65,652)
Net assets released from restrictions	<u>(265,310)</u>	<u>(311,002)</u>
Decrease in net assets with donor restrictions	<u>(102,762)</u>	<u>(209,403)</u>
Changes in net assets	(806,185)	(834,323)
Net assets at beginning of year	<u>9,752,580</u>	<u>10,586,903</u>
Net assets at end of year	<u><u>\$ 8,946,395</u></u>	<u><u>\$ 9,752,580</u></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,	
	2020	2019
Cash flows from operating activities:		
Cash received from dues, program fees and contributions	\$ 6,563,474	\$ 7,165,649
Interest and dividends received, net of fees	189,199	250,426
Cash paid to employees, vendors and others	<u>(7,927,426)</u>	<u>(8,159,318)</u>
Net cash used in operating activities	<u>(1,174,753)</u>	<u>(743,243)</u>
Cash flows from investing activities:		
Redemption of investments	2,585,196	1,713,222
Purchases of investments	(1,314,257)	(1,660,293)
Acquisition of property and equipment	<u>(664,854)</u>	<u>(698,728)</u>
Net cash provided by (used in) investing activities	<u>606,085</u>	<u>(645,799)</u>
Net decrease in cash and cash equivalents	(568,668)	(1,389,042)
Cash and cash equivalents, beginning of year	<u>4,358,270</u>	<u>5,747,312</u>
Cash and cash equivalents, end of year	<u><u>\$ 3,789,602</u></u>	<u><u>\$ 4,358,270</u></u>
Reconciliation of changes in net assets to net cash used in operating activities		
Changes in net assets	\$ (806,185)	\$ (834,323)
Adjustments to reconcile changes in net assets to net cash used in operating activities		
Depreciation and amortization	247,429	99,808
Realized losses on sales of investments	8,310	5,223
Unrealized losses on investments	133,552	366,523
Loss (gain) on disposal of equipment	826	(376)
Changes in cash from changes in operating assets and liabilities		
Accounts receivable	(1,730)	28,919
Prepaid expenses	121,129	(48,924)
Accounts payable and accrued expenses	(36,518)	5,233
Deferred revenue	(905,491)	(283,395)
Deferred rent	<u>63,925</u>	<u>(81,931)</u>
Net cash used in operating activities	<u><u>\$ (1,174,753)</u></u>	<u><u>\$ (743,243)</u></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 - CONTINUED

May 31, 2020 and 2019

NOTE 1 - NATURE OF ORGANIZATION

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies of the NJCPA 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. Net assets without donor restrictions represent net assets that are not subject to donor-imposed stipulations and are available for the general operations of the NJCPA and Affiliates.

Net assets with donor restrictions 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 net assets with donor restrictions in the accompanying combined financial statements and totaled approximately \$2,527,000 and \$2,630,000 as of May 31, 2020 and 2019, respectively. Expirations of the restrictions on these 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.

New Jersey Society of Certified Public Accountants and Affiliates

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

May 31, 2020 and 2019

In May 2017, the NJCPA Board of Trustees approved the following designations of net assets without donor restrictions: \$2,300,000 as an operating reserve and \$1,500,000 as a reserve for the NJCPA office relocation and build-out. In addition to the \$546,000 spent on the office relocation in 2019, \$668,000 was spent in 2020, leaving a remaining reserve of \$286,000. Of that amount, \$109,000 has been re-designated by the Board as funds to be used in the search for the NJCPA and Affiliates' new CEO upon the existing CEO's retirement.

Use of Estimates

The preparation of combined 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 combined 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. Beginning in fiscal year 2021, the capitalization threshold for assets will be increased from \$1,500 to \$5,000.

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 credit 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, 2020 and 2019, such excess balances totaled approximately \$1,900,000 and \$2,111,000, respectively. The management of the NJCPA and Affiliates does not anticipate nonperformance by any of these financial institutions.

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 to which they pertain.

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

New Jersey Society of Certified Public Accountants and Affiliates

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

May 31, 2020 and 2019

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 each exempt under Section 501(c)(3). Federal income taxes apply to unrelated business income generated by the NJCPA and which is immaterial to its financial statements.

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 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.

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.

New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers*. The ASU provides updated guidance to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance. Contribution revenue is specifically excluded from the scope of this update. In June 2020, the FASB issued ASU No. 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*, which deferred the effective date of ASU 2014-09 by one year. The guidance is effective for the interim and annual periods beginning on or after December 15, 2019 (i.e., fiscal year ending May 31, 2021). The guidance permits the use of either a retrospective or cumulative effect transition method. The NJCPA is currently evaluating the new guidance and has not determined the

New Jersey Society of Certified Public Accountants and Affiliates

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

May 31, 2020 and 2019

impact this standard may have on the combined financial statements nor decided upon the method of adoption.

In February 2016, the FASB issued ASU 2016-02, *Leases*. This ASU will require lessees to recognize almost all leases on the balance sheet as a right-of-use asset and a lease liability. For income statement purposes, the FASB retained a dual model, requiring leases to be classified as finance leases or operating leases. The guidance is effective for the interim and annual periods beginning on or after December 15, 2021 (i.e., fiscal year ending May 31, 2023). The NJCPA is currently evaluating the new guidance and has not determined the impact this standard may have on the combined financial statements.

Subsequent Events

The NJCPA and Affiliates evaluated subsequent events through September 3, 2020, the date the combined financial statements were available to be issued.

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The extent of the impact of COVID-19 on the NJCPA and Affiliates operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, which at present cannot be determined. Accordingly, the extent to which COVID-19 may impact NJCPA and Affiliates' financial position and changes in net assets and cash flows is uncertain.

NOTE 3 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the combined statement of financial position date, consist of the following:

	2020	2019
Cash and cash equivalents	\$ 3,789,602	\$ 4,358,270
Accounts receivable, due within one year	22,023	20,293
Investments	<u>5,390,510</u>	<u>6,803,310</u>
Financial assets, at year-end	9,202,135	11,181,873
Less amounts unavailable for general expenditures within one year, due to:		
Donor-imposed restrictions (pertaining to the NJCPA Scholarship Fund)	(2,630,696)	(2,877,718)
Board designations:		
Operating reserve	(2,300,000)	(2,300,000)
CEO retirement replacement fund	(108,637)	-
Office relocation/build-out	<u>(177,423)</u>	<u>(954,099)</u>
Financial assets available to meet cash needs for general expenditures with one year	<u>\$ 3,985,379</u>	<u>\$ 5,050,056</u>

As part of its liquidity management plan, NJCPA and Affiliates invest excess cash in short-term investments which can include money market funds and mutual funds.

New Jersey Society of Certified Public Accountants and Affiliates

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

May 31, 2020 and 2019

NOTE 4 - 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; and

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.

The NJCPA and Affiliates held only Level I investments, consisting principally of open-end mutual funds and exchange traded funds, as of May 31, 2020 and 2019. Investments at fair value consist of the following:

	2020	2019
U.S. equity funds	\$ 1,709,864	\$ 1,777,537
International equity funds	1,304,573	1,450,924
Fixed income mutual funds	1,864,161	2,118,591
Marketable alternative investment mutual funds:		
Real estate	144,650	187,697
Diversifiers	175,651	178,628
Commodities	164,000	218,502
Cash and cash equivalents	27,611	871,431
Total fair value (based on quoted market prices)	<u>\$ 5,390,510</u>	<u>\$ 6,803,310</u>

Investment income (loss) consists of the following:

	2020	2019
Interest and dividends	\$ 228,374	\$ 297,987
Realized losses	(8,310)	(5,223)
Unrealized losses	(133,552)	(366,523)
Investment fees	(39,175)	(47,561)
	<u>\$ 47,337</u>	<u>\$ (121,320)</u>

New Jersey Society of Certified Public Accountants and Affiliates

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

May 31, 2020 and 2019

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

	2020	2019
Without donor restrictions	\$ 55,187	\$ (55,668)
With donor restrictions	(7,850)	(65,652)
	<u>\$ 47,337</u>	<u>\$ (121,320)</u>

Investment income includes earnings on cash and cash equivalents, which totaled approximately \$30,000 and \$43,000 for the years ended May 31, 2020 and 2019, respectively.

NOTE 5 - PROPERTY AND EQUIPMENT, NET

Property and equipment, net, consist of the following:

	2020	2019
Furniture and fixtures	\$ 592,039	\$ 448,767
Office equipment	294,197	182,795
Leasehold improvements	392,573	119,831
Computer equipment and software	1,277,017	1,096,975
	2,555,826	1,848,368
Less: Accumulated depreciation and amortization	<u>(1,266,021)</u>	<u>(1,706,854)</u>
	1,289,805	141,514
Add: Software development and other	<u>7,676</u>	<u>739,369</u>
	<u>\$ 1,297,481</u>	<u>\$ 880,883</u>

During fiscal 2020 and 2019, the NJCPA capitalized software development costs, including direct labor, totaling \$29,000 and \$25,000, respectively.

New Jersey Society of Certified Public Accountants and Affiliates

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

May 31, 2020 and 2019

NOTE 6 - FUNCTIONAL EXPENSES

The combined expenses of the NJCPA, the Foundation and the Scholarship Fund are summarized below by each major functional area. The combined financial statements contain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, depreciation and amortization, technology and property insurance, which are allocated on a basis of square footage, and other expenses that are allocated based on estimates of personnel time incurred and applicability, such as office expenses, other insurance and salaries/benefits/payroll taxes.

	2020									
	Program Services					Support Services				
	Memberships	Communications and Public Relations	Educational Activities	Peer Review	Career Development	Total	Membership Development	Fundraising	Management and General	Total
Salaries, payroll taxes, and employee benefits	\$ 778,442	\$ 671,923	\$ 728,165	\$ 270,133	\$ 83,065	\$ 2,531,748	\$ 226,673	\$ 3,835	\$ 1,498,510	\$ 1,729,018
Direct costs of educational programs	-	-	1,688,796	-	-	1,688,796	-	-	-	-
Rent and occupancy	167,094	49,828	86,769	16,752	16,753	337,196	16,752	-	75,600	92,352
Printing and distribution	646	56,315	35,496	1,691	1,571	95,719	15,746	8	6,292	22,046
Scholarship awards	-	-	-	-	394,750	394,750	-	-	-	-
Office and supplies	77,296	33,128	36,638	8,550	7,969	163,581	7,073	-	125,433	132,506
Professional fees	163,507	14,026	23,444	82,839	139	283,955	139	-	107,449	107,588
Travel and meetings	15,699	2,526	1,285	2,666	2,016	24,192	518	-	67,932	68,450
Depreciation and amortization	77,617	23,146	83,413	7,782	7,781	199,739	7,782	-	39,908	47,690
Special events	40,367	-	-	-	9,051	49,418	-	-	60,086	60,086
Other	27,455	41,430	5,323	493	417	75,118	3,901	-	215,543	219,444
Total expenses	\$ 1,348,123	\$ 892,322	\$ 2,689,329	\$ 390,906	\$ 523,532	\$ 5,844,212	\$ 278,584	\$ 3,843	\$ 2,196,753	\$ 2,479,180
2019										
	Program Services					Support Services				
	Memberships	Communications and Public Relations	Educational Activities	Peer Review	Career Development	Total	Membership Development	Fundraising	Management and General	Total
Salaries, payroll taxes, and employee benefits	\$ 727,969	\$ 701,037	\$ 681,858	\$ 261,563	\$ 119,569	\$ 2,491,996	\$ 203,619	\$ 4,489	\$ 1,380,439	\$ 1,558,547
Direct costs of educational programs	-	-	1,793,227	-	13,267	1,806,494	-	-	-	-
Rent and occupancy	189,954	56,899	52,522	18,820	18,820	337,015	18,820	-	81,847	100,667
Printing and distribution	9,385	27,809	36,283	1,893	1,057	76,427	18,862	-	8,128	26,990
Scholarship awards	-	-	-	-	419,500	419,500	-	-	-	-
Office and supplies	87,066	45,487	22,052	9,230	9,013	172,848	7,902	-	73,532	81,434
Professional fees	169,487	4,762	20,338	110,522	645	305,754	145	-	89,580	89,725
Travel and meetings	22,462	3,946	1,204	2,906	3,371	33,889	2,867	-	74,935	77,802
Depreciation and amortization	43,020	12,866	12,512	4,262	4,260	76,940	4,262	-	18,606	22,868
Special events	71,722	-	-	-	6,945	78,667	-	-	48,423	48,423
Other	29,733	35,575	1,617	476	592	67,993	4,844	-	224,681	229,525
Total expenses	\$ 1,350,798	\$ 888,401	\$ 2,621,613	\$ 409,672	\$ 597,039	\$ 5,867,523	\$ 261,321	\$ 4,489	\$ 2,000,171	\$ 2,265,981

New Jersey Society of Certified Public Accountants and Affiliates

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

May 31, 2020 and 2019

NOTE 7 - 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 served as its operating and educational facility. That lease agreement was amended three times and extended a total of 20 years through June 30, 2019.

On January 30, 2019, the NJCPA signed a lease for new office space consisting of approximately 17,200 square feet, also in Roseland, New Jersey, that began on July 1, 2019, and has an initial lease term of 11 years, 8 months. The lease includes 6 months of rent abatement and cash payments are not equal over the term of the lease. There are no lease escalations for the first 12 months of the lease.

Since the cash payments are not equal over the term of the new lease, as with the old lease, the total rental payments are accounted for on a straight-line basis over the life of the lease. Accordingly, deferred rent of approximately \$70,500 and \$6,600 has been recorded as of May 31, 2020 and 2019, respectively.

Total rental expense for the years ended May 31, 2020 and 2019 amounted to approximately \$430,000 and \$438,000, respectively. The aforementioned rentals include utility and occupancy costs of approximately \$23,000 and \$37,000 in 2020 and 2019, respectively.

Minimum rental payments due pertaining to the new real estate lease and certain equipment leases are as follows:

<u>Year ending May 31,</u>	
2021	\$ 304,000
2022	371,000
2023	419,000
2024	420,000
2025	420,000
Thereafter	<u>2,512,000</u>
	<u>\$ 4,446,000</u>

NOTE 8 - RETIREMENT PLAN

The NJCPA sponsors a defined contribution plan (the "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, 2020 and 2019 totaled approximately \$198,000 and \$184,000, respectively.

NOTE 9 - 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 \$104,000 and \$140,000 for the years ended May 31, 2020 and 2019, respectively. At May 31, 2020, conditional awards totaled \$331,500 and, assuming all conditions are satisfied, are scheduled to be paid as follows: \$90,500 in fiscal 2021, \$97,000 in fiscal 2022, \$88,000 in fiscal 2023 and \$56,000 in fiscal 2024.

New Jersey Society of Certified Public Accountants and Affiliates

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

May 31, 2020 and 2019

NOTE 10 - 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, 2020 and 2019 totaled approximately \$8,200 and \$11,000, respectively, 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

As of May 31, 2020

ASSETS	NJCPA	Foundation	Scholarship Fund	Eliminations	Combined
Cash and cash equivalents	\$ 2,817,682	\$ 537,827	\$ 434,093	\$ -	\$ 3,789,602
Accounts receivable	13,927	8,064	32	-	22,023
Prepaid expenses	98,050	84,434	1,000	-	183,484
Investments	2,022,713	1,171,226	2,196,571	-	5,390,510
Property and equipment, net	1,019,250	278,231	-	-	1,297,481
Total assets	<u>\$ 5,971,622</u>	<u>\$ 2,079,782</u>	<u>\$ 2,631,696</u>	<u>\$ -</u>	<u>\$ 10,683,100</u>
LIABILITIES AND NET ASSETS					
Accounts payable and accrued expenses	\$ 263,740	\$ 68,596	\$ 290,000	\$ -	\$ 622,336
Deferred revenue	900,370	143,447	-	-	1,043,817
Deferred rent	70,552	-	-	-	70,552
Due (from) to affiliated entity	(312,405)	498,182	(185,777)	-	-
Total liabilities	<u>922,257</u>	<u>710,225</u>	<u>104,223</u>	<u>-</u>	<u>1,736,705</u>
Commitments (Notes 7 and 9)					
NET ASSETS					
Without donor restrictions	5,049,365	1,369,557	-	-	6,418,922
With donor restrictions	-	-	2,527,473	-	2,527,473
Total net assets	<u>5,049,365</u>	<u>1,369,557</u>	<u>2,527,473</u>	<u>-</u>	<u>8,946,395</u>
Total liabilities and net assets	<u>\$ 5,971,622</u>	<u>\$ 2,079,782</u>	<u>\$ 2,631,696</u>	<u>\$ -</u>	<u>\$ 10,683,100</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

For the year ended May 31, 2020

	<u>NJCPA</u>	<u>Foundation</u>	<u>Scholarship Fund</u>	<u>Eliminations</u>	<u>Combined</u>
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS					
REVENUES AND OTHER SUPPORT					
Membership dues and other fees	\$ 3,593,728	\$ -	\$ -	\$ -	\$ 3,593,728
Educational program fees	-	2,775,432	-	-	2,775,432
Peer review fees	348,198	-	-	-	348,198
Publications, directory and website advertising	116,781	-	-	-	116,781
Investment income, net	46,997	8,190	-	-	55,187
Royalties and commissions	150,259	105,623	-	-	255,882
Special events	38,208	-	-	-	38,208
Other	171,202	41	-	-	171,243
Net assets released from restrictions	-	-	471,122	(205,812)	265,310
Total revenues and other support	<u>4,465,373</u>	<u>2,889,286</u>	<u>471,122</u>	<u>(205,812)</u>	<u>7,619,969</u>
EXPENSES					
Salaries, payroll taxes and employee benefits	3,072,466	1,128,000	60,300	-	4,260,766
Direct costs of educational programs	-	1,717,108	-	(28,312)	1,688,796
Rent and occupancy	327,832	95,616	6,100	-	429,548
Printing and distribution	77,327	39,157	1,281	-	117,765
Scholarship awards	-	177,500	394,750	(177,500)	394,750
Office and supplies	240,107	53,153	2,827	-	296,087
Professional fees	368,819	22,724	-	-	391,543
Travel and meetings	89,463	2,257	922	-	92,642
Depreciation and amortization	191,131	53,198	3,100	-	247,429
Special events	109,504	-	-	-	109,504
Other	221,097	71,623	1,842	-	294,562
Total expenses	<u>4,697,746</u>	<u>3,360,336</u>	<u>471,122</u>	<u>(205,812)</u>	<u>8,323,392</u>
Decrease in net assets without donor restrictions	<u>(232,373)</u>	<u>(471,050)</u>	<u>-</u>	<u>-</u>	<u>(703,423)</u>
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS					
Contributions	-	-	376,210	(205,812)	170,398
Investment loss, net	-	-	(7,850)	-	(7,850)
Net assets released from restrictions	-	-	(471,122)	205,812	(265,310)
Decrease in net assets with donor restrictions	<u>-</u>	<u>-</u>	<u>(102,762)</u>	<u>-</u>	<u>(102,762)</u>
Changes in net assets	<u>(232,373)</u>	<u>(471,050)</u>	<u>(102,762)</u>	<u>-</u>	<u>(806,185)</u>
Net assets at beginning of year	<u>5,281,738</u>	<u>1,840,607</u>	<u>2,630,235</u>	<u>-</u>	<u>9,752,580</u>
Net assets at end of year	<u>\$ 5,049,365</u>	<u>\$ 1,369,557</u>	<u>\$ 2,527,473</u>	<u>\$ -</u>	<u>\$ 8,946,395</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

For the year ended May 31, 2020

	NJCPA	Foundation	Scholarship Fund	Eliminations	Combined
Cash flows from operating activities:					
Cash received from dues, program fees and contributions	\$ 4,088,754	\$ 2,301,741	\$ 378,791	\$ (205,812)	\$ 6,563,474
Interest and dividends received, net of fees	89,077	36,937	63,185	-	189,199
Cash paid to employees, vendors and others	(4,636,311)	(2,881,546)	(615,381)	205,812	(7,927,426)
Net cash used in operating activities	(458,480)	(542,868)	(173,405)	-	(1,174,753)
Cash flows from investing activities:					
Redemption of investments	2,004,873	341,931	238,392	-	2,585,196
Purchases of investments	(868,625)	(174,876)	(270,756)	-	(1,314,257)
Acquisition of property and equipment	(459,692)	(205,162)	-	-	(664,854)
Net cash provided by (used in) investing activities	676,556	(38,107)	(32,364)	-	606,085
Net increase (decrease) in cash and cash equivalents	218,076	(580,975)	(205,769)	-	(568,668)
Cash and cash equivalents at beginning of year	2,599,606	1,118,802	639,862	-	4,358,270
Cash and cash equivalents at end of year	\$ 2,817,682	\$ 537,827	\$ 434,093	\$ -	\$ 3,789,602
Reconciliation of changes in net assets to net cash used in operating activities					
Changes in net assets	\$ (232,373)	\$ (471,050)	\$ (102,762)	\$ -	\$ (806,185)
Adjustments to reconcile changes in net assets to net cash used in operating activities					
Depreciation and amortization	191,131	53,198	3,100	-	247,429
Realized (gains) losses on sales of investments	(13,156)	8,558	12,908	-	8,310
Unrealized losses on investments	55,236	20,188	58,128	-	133,552
Loss on disposal of equipment	826	-	-	-	826
Increase (decrease) in cash from changes in operating assets and liabilities					
Accounts receivable	(1,764)	(2,546)	2,580	-	(1,730)
Prepaid expenses	45,396	75,733	-	-	121,129
Due (to) from affiliated entity, net	(154,056)	330,915	(176,859)	-	-
Accounts payable and accrued expenses	(84,961)	18,943	29,500	-	(36,518)
Deferred revenue	(328,684)	(576,807)	-	-	(905,491)
Deferred rent	63,925	-	-	-	63,925
Net cash used in operating activities	\$ (458,480)	\$ (542,868)	\$ (173,405)	\$ -	\$ (1,174,753)

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

As of May 31, 2019

ASSETS	NJCPA	Foundation	Scholarship Fund	Eliminations	Combined
Cash and cash equivalents	\$ 2,599,606	\$ 1,118,802	\$ 639,862	\$ -	\$ 4,358,270
Accounts receivable	12,162	5,517	2,614	-	20,293
Prepaid expenses	143,446	160,167	1,000	-	304,613
Investments	3,201,041	1,367,027	2,235,242	-	6,803,310
Property and equipment, net	759,915	120,968	-	-	880,883
Total assets	\$ 6,716,170	\$ 2,772,481	\$ 2,878,718	\$ -	\$ 12,367,369
LIABILITIES AND NET ASSETS					
Accounts payable and accrued expenses	\$ 348,701	\$ 49,653	\$ 260,500	\$ -	\$ 658,854
Deferred revenue	1,229,054	720,254	-	-	1,949,308
Deferred rent	6,627	-	-	-	6,627
Due (from) to affiliated entity	(149,950)	161,967	(12,017)	-	-
Total liabilities	1,434,432	931,874	248,483	-	2,614,789
Commitments (Notes 7 and 9)					
NET ASSETS					
Without donor restrictions	5,281,738	1,840,607	-	-	7,122,345
With donor restrictions	-	-	2,630,235	-	2,630,235
Total net assets	5,281,738	1,840,607	2,630,235	-	9,752,580
Total liabilities and net assets	\$ 6,716,170	\$ 2,772,481	\$ 2,878,718	\$ -	\$ 12,367,369

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

For the year ended May 31, 2019

	<u>NJCPA</u>	<u>Foundation</u>	<u>Scholarship Fund</u>	<u>Eliminations</u>	<u>Combined</u>
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS					
REVENUES AND OTHER SUPPORT					
Membership dues and other fees	\$ 3,593,749	\$ -	\$ -	\$ -	\$ 3,593,749
Educational program fees	-	2,732,711	-	-	2,732,711
Peer review fees	360,258	-	-	-	360,258
Publications, directory and website advertising	90,457	-	-	-	90,457
Investment loss, net	(47,907)	(7,761)	-	-	(55,668)
Royalties and commissions	163,300	60,203	-	-	223,503
Special events	65,324	-	-	-	65,324
Other	187,248	-	-	-	187,248
Net assets released from restrictions	-	-	513,886	(202,884)	311,002
Total revenues and other support	<u>4,412,429</u>	<u>2,785,153</u>	<u>513,886</u>	<u>(202,884)</u>	<u>7,508,584</u>
EXPENSES					
Salaries, payroll taxes and employee benefits	3,006,640	1,008,003	65,900	-	4,080,543
Direct costs of educational programs	-	1,813,611	13,267	(20,384)	1,806,494
Rent and occupancy	372,582	58,300	6,800	-	437,682
Printing and distribution	61,407	40,363	1,647	-	103,417
Scholarship awards	-	182,500	419,500	(182,500)	419,500
Office and supplies	222,317	28,466	3,499	-	254,282
Professional fees	375,545	19,934	-	-	395,479
Travel and meetings	108,678	2,485	528	-	111,691
Depreciation and amortization	85,524	12,984	1,300	-	99,808
Special events	127,090	-	-	-	127,090
Other	220,900	75,173	1,445	-	297,518
Total expenses	<u>4,580,683</u>	<u>3,241,819</u>	<u>513,886</u>	<u>(202,884)</u>	<u>8,133,504</u>
Decrease in net assets without donor restrictions	<u>(168,254)</u>	<u>(456,666)</u>	<u>-</u>	<u>-</u>	<u>(624,920)</u>
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS					
Contributions	-	-	370,135	(202,884)	167,251
Investment loss, net	-	-	(65,652)	-	(65,652)
Net assets released from restrictions	-	-	(513,886)	202,884	(311,002)
Decrease in net assets with donor restrictions	<u>-</u>	<u>-</u>	<u>(209,403)</u>	<u>-</u>	<u>(209,403)</u>
Changes in net assets	<u>(168,254)</u>	<u>(456,666)</u>	<u>(209,403)</u>	<u>-</u>	<u>(834,323)</u>
Net assets at beginning of year	<u>5,449,992</u>	<u>2,297,273</u>	<u>2,839,638</u>	<u>-</u>	<u>10,586,903</u>
Net assets at end of year	<u>\$ 5,281,738</u>	<u>\$ 1,840,607</u>	<u>\$ 2,630,235</u>	<u>\$ -</u>	<u>\$ 9,752,580</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

For the year ended May 31, 2019

	NJCPA	Foundation	Scholarship Fund	Eliminations	Combined
Cash flows from operating activities:					
Cash received from dues, program fees and contributions	\$ 4,182,030	\$ 2,818,980	\$ 367,523	\$ (202,884)	\$ 7,165,649
Interest and dividends received, net of fees	128,251	52,164	70,011	-	250,426
Cash paid to employees, vendors and others	(4,687,557)	(3,158,259)	(516,386)	202,884	(8,159,318)
Net cash used in operating activities	(377,276)	(287,115)	(78,852)	-	(743,243)
Cash flows from investing activities:					
Redemption of investments	883,049	339,038	491,135	-	1,713,222
Purchases of investments	(980,532)	(379,697)	(300,064)	-	(1,660,293)
Acquisition of property and equipment	(577,366)	(121,362)	-	-	(698,728)
Net cash (used in) provided by investing activities	(674,849)	(162,021)	191,071	-	(645,799)
Net (decrease) increase in cash and cash equivalents	(1,052,125)	(449,136)	112,219	-	(1,389,042)
Cash and cash equivalents at beginning of year	3,651,731	1,567,938	527,643	-	5,747,312
Cash and cash equivalents at end of year	\$ 2,599,606	\$ 1,118,802	\$ 639,862	\$ -	\$ 4,358,270
Reconciliation of changes in net assets to net cash used in operating activities					
Changes in net assets	\$ (168,254)	\$ (456,666)	\$ (209,403)	\$ -	\$ (834,323)
Adjustments to reconcile changes in net assets to net cash used in operating activities					
Depreciation and amortization	85,523	12,985	1,300	-	99,808
Realized losses (gains) on sales of investments	7,934	(3,191)	480	-	5,223
Unrealized losses on investments	168,223	63,116	135,184	-	366,523
Gain on disposal of equipment	(376)	-	-	-	(376)
Increase (decrease) in cash from changes in operating assets and liabilities					
Accounts receivable	7,133	24,398	(2,612)	-	28,919
Prepaid expenses	(49,390)	466	-	-	(48,924)
Due (to) from affiliated entity, net	(96,449)	91,250	5,199	-	-
Accounts payable and accrued expenses	35,374	(21,141)	(9,000)	-	5,233
Deferred revenue	(285,063)	1,668	-	-	(283,395)
Deferred rent	(81,931)	-	-	-	(81,931)
Net cash used in operating activities	\$ (377,276)	\$ (287,115)	\$ (78,852)	\$ -	\$ (743,243)

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