

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, 2019 and 2018

NEW JERSEY SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS AND AFFILIATES

TABLE OF CONTENTS

	Page
Report of Independent Certified Public Accountants	1 - 2
Combined Financial Statements	
Combined Statements of Financial Position	3
Combined Statements of Activities	4
Combined Statements of Cash Flows	5
Notes to Combined Financial Statements	6 - 15
Supplementary Information	
<u>May 31, 2019</u>	
Combining Schedule of Financial Position	17
Combining Schedule of Activities	18
Combining Schedule of Cash Flows	19
<u>May 31, 2018</u>	
Combining Schedule of Financial Position	20
Combining Schedule of Activities	21
Combining Schedule of Cash Flows	22

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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, 2019 and 2018, 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, 2019 and 2018, 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 2019 and 2018 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, 2019 and 2018 on pages 17 and 20, and the related combining schedules of activities and cash flows for the years then ended on pages 18 and 21 and 19 and 22, 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 4, 2019

NEW JERSEY SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS AND AFFILIATES

Combined Statements of Financial Position

	May 31,	
	2019	2018
ASSETS		
Cash and cash equivalents	\$ 4,358,270	\$ 5,747,312
Accounts receivable	20,293	49,212
Prepaid expenses	304,613	255,689
Investments	6,803,310	7,227,988
Property and equipment, net	<u>880,883</u>	<u>281,584</u>
Total assets	<u>\$ 12,367,369</u>	<u>\$ 13,561,785</u>
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 658,854	\$ 653,621
Deferred revenue	1,949,308	2,232,703
Deferred rent	<u>6,627</u>	<u>88,558</u>
Total liabilities	<u>2,614,789</u>	<u>2,974,882</u>
Commitments (Note 9)		
NET ASSETS		
Without donor restrictions	7,122,345	7,747,265
With donor restrictions	<u>2,630,235</u>	<u>2,839,638</u>
Total net assets	<u>9,752,580</u>	<u>10,586,903</u>
Total liabilities and net assets	<u>\$ 12,367,369</u>	<u>\$ 13,561,785</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,	
	2019	2018
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Revenues and other support		
Membership dues and other fees	\$ 3,593,749	\$ 3,668,333
Educational program fees	2,732,711	3,710,595
Peer review fees	360,258	400,173
Publication, directory and website advertising	90,457	79,956
Investment (loss) income, net	(55,668)	335,468
Royalties and commissions	223,503	262,538
Special events	65,324	77,366
Other	187,248	159,328
Net assets released from restrictions	<u>311,002</u>	<u>281,892</u>
Total unrestricted revenues and other support	<u>7,508,584</u>	<u>8,975,649</u>
Expenses		
Salaries, payroll taxes and employee benefits	4,080,543	4,058,140
Direct costs of educational programs	1,806,494	2,162,539
Rent and occupancy	437,682	440,032
Printing and distribution	103,417	74,840
Scholarship awards	419,500	404,000
Office and supplies	254,282	255,595
Professional fees	395,479	328,638
Travel and meetings	111,691	109,219
Depreciation and amortization	99,808	99,731
Special events	127,090	131,123
Other general	<u>297,518</u>	<u>344,246</u>
Total expenses	<u>8,133,504</u>	<u>8,408,103</u>
(Decrease) increase in net assets without donor restrictions	<u>(624,920)</u>	<u>567,546</u>
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	167,251	142,123
Investment (loss) income, net	(65,652)	177,700
Net assets released from restrictions	<u>(311,002)</u>	<u>(281,892)</u>
(Decrease) increase in net assets with donor restrictions	<u>(209,403)</u>	<u>37,931</u>
Changes in net assets	(834,323)	605,477
Net assets at beginning of year	<u>10,586,903</u>	<u>9,981,426</u>
Net assets at end of year	<u>\$ 9,752,580</u>	<u>\$ 10,586,903</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,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from dues, program fees and contributions	\$ 7,165,649	\$ 8,429,432
Interest and dividends received, net of fees	250,426	214,955
Cash paid to employees, vendors and others	<u>(8,159,318)</u>	<u>(8,410,252)</u>
Net cash (used in) provided by operating activities	<u>(743,243)</u>	<u>234,135</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Redemption of investments	1,713,222	827,750
Purchases of investments	(1,660,293)	(920,026)
Acquisition of property and equipment	<u>(698,728)</u>	<u>(173,859)</u>
Net cash used in investing activities	<u>(645,799)</u>	<u>(266,135)</u>
Net decrease in cash and cash equivalents	(1,389,042)	(32,000)
Cash and cash equivalents at beginning of year	<u>5,747,312</u>	<u>5,779,312</u>
Cash and cash equivalents at end of year	<u>\$ 4,358,270</u>	<u>\$ 5,747,312</u>
Reconciliation of changes in net assets to net cash (used in) provided by operating activities		
Changes in net assets	\$ (834,323)	\$ 605,477
Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities		
Depreciation and amortization	99,808	99,731
Realized losses (gains) on sales of investments	5,223	(18,776)
Unrealized losses (gains) on investments	366,523	(279,437)
(Gain) loss on disposal of equipment	(376)	2,445
Changes in cash from changes in operating assets and liabilities		
Accounts receivable	28,919	28,742
Prepaid expenses	(48,924)	10,154
Accounts payable and accrued expenses	5,233	(46,753)
Deferred revenue	(283,395)	(102,171)
Deferred rent	<u>(81,931)</u>	<u>(65,277)</u>
Net cash (used in) provided by operating activities	<u>\$ (743,243)</u>	<u>\$ 234,135</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, 2019 and 2018

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.

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 \$2,630,000 and \$2,840,000 as of May 31, 2019 and 2018, respectively. Expirations of the restrictions on these

NEW JERSEY SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS AND AFFILIATES

Notes to Combined Financial Statements

May 31, 2019 and 2018

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, 2019 and 2018 totaled approximately \$311,000 and \$282,000, respectively.

In May 2017, pursuant to internal policy, the NJCPA Board 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. During 2019, \$546,000 of the amount designated for the office relocation was spent, leaving a reserve of \$954,000.

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, 2019 and 2018, such excess balances totaled approximately \$2,111,000 and \$3,414,000, 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

NEW JERSEY SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS AND AFFILIATES

Notes to Combined Financial Statements

May 31, 2019 and 2018

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 each exempt under Section 501(c)(3). Federal income taxes apply, however, to unrelated business income, which NJCPA generates but for 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.

NEW JERSEY SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS AND AFFILIATES

Notes to Combined Financial Statements

May 31, 2019 and 2018

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 4, 2019, the date the combined financial statements were available to be issued. See Notes 5 and 7 for further information regarding the NJCPA office space lease that begins on July 1, 2019, and the costs associated with the office relocation.

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:

	<u>Year ended May 31,</u>	
	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 4,358,270	\$ 5,747,312
Accounts receivable, due within one year	20,293	49,212
Investments	<u>6,803,310</u>	<u>7,227,988</u>
Financial assets, at year-end	11,181,873	13,024,512
Less amounts unavailable for general expenditures within one year, due to:		
Donor-imposed restrictions (pertaining to the NJCPA Scholarship Fund)	(2,877,718)	(3,089,623)
Board designations:		
Amounts set aside for operating reserve	(2,300,000)	(2,300,000)
Amount set aside for office relocation/buildout	<u>(954,099)</u>	<u>(1,500,000)</u>
Financial assets available to meet cash needs for general expenditures with one year	<u>\$ 5,050,056</u>	<u>\$ 6,134,889</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.

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

NEW JERSEY SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS AND AFFILIATES

Notes to Combined Financial Statements

May 31, 2019 and 2018

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.

The NJCPA and Affiliates held only Level I investments, consisting of principally open-end mutual funds and exchange traded funds, as of May 31, 2019 and 2018. Investments at fair value consist of the following:

	<u>2019</u>	<u>2018</u>
US equity funds	\$ 1,777,537	\$ 2,033,618
International equity funds	1,450,924	1,662,552
Fixed income mutual funds	2,118,591	2,547,493
Marketable alternative investment mutual funds:		
Real estate	187,697	208,801
Diversifiers	178,628	201,075
Commodities	218,502	264,609
Cash and cash equivalents	<u>871,431</u>	<u>309,840</u>
Total fair value (based on quoted market prices)	<u>\$ 6,803,310</u>	<u>\$ 7,227,988</u>

**NEW JERSEY SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS
AND AFFILIATES**
Notes to Combined Financial Statements
May 31, 2019 and 2018

Investment (loss) income consists of the following:

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 297,987	\$ 263,890
Realized (losses) gains	(5,223)	18,776
Unrealized (losses) gains	(366,523)	279,437
Investment fees	<u>(47,561)</u>	<u>(48,935)</u>
	<u>\$ (121,320)</u>	<u>\$ 513,168</u>

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

	<u>2019</u>	<u>2018</u>
Without donor restrictions	\$ (55,668)	\$ 335,468
With donor restrictions	<u>(65,652)</u>	<u>177,700</u>
	<u>\$ (121,320)</u>	<u>\$ 513,168</u>

Investment income includes earnings on cash and cash equivalents, which totaled approximately \$43,000 and \$23,000 for the years ended May 31, 2019 and 2018, respectively.

5. PROPERTY AND EQUIPMENT, NET

Property and equipment, net, consist of the following:

	<u>2019</u>	<u>2018</u>
Furniture and fixtures	\$ 448,767	\$ 448,767
Office equipment	182,795	179,670
Leasehold improvements	119,831	119,831
Computer equipment and software	<u>1,096,975</u>	<u>1,058,508</u>
	1,848,368	1,806,776
Less: Accumulated depreciation and amortization	<u>(1,706,854)</u>	<u>(1,619,107)</u>
	141,514	187,669
Add: Software development, other	<u>739,369</u>	<u>93,915</u>
	<u>\$ 880,883</u>	<u>\$ 281,584</u>

NEW JERSEY SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS AND AFFILIATES

Notes to Combined Financial Statements

May 31, 2019 and 2018

Property and equipment includes approximately \$739,000 of capitalized costs related to website development and the NJCPA office relocation, which were in process as of May 31, 2019, were subsequently placed into service during fiscal 2020 and will be depreciated consistent with established policies. During fiscal 2019 and 2018, the NJCPA capitalized software development costs, including direct labor, totaling \$25,000 and \$40,000, respectively.

NEW JERSEY SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS AND AFFILIATES

Notes to Combined Financial Statements May 31, 2019 and 2018

6. FUNCTIONAL EXPENSES

The combined expenses of the Society, 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 square footage basis, and other expenses that are allocated based on estimates of time spent and applicability, such as office expenses, other insurance and salaries/benefits/payroll taxes.

	Program Services					Support Services					2019 Total	2018 Total
	Communications					Total	Management and General			Total		
	Membership	& Public Relations	Educational Activities	Peer Review	Career Development			Membership Development	Fundraising			
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	\$ 1,588,547	\$ 4,080,543	\$ 4,058,140
Direct costs of educational programs	-	-	1,793,227	-	13,267	1,806,494	-	-	-	-	1,806,494	2,162,539
Rent and occupancy	189,954	56,899	52,522	18,820	18,820	337,015	18,820	-	81,847	100,667	437,682	440,032
Printing and distribution	9,385	27,809	36,283	1,893	1,057	76,427	18,862	-	8,128	26,990	103,417	74,840
Scholarship awards	-	-	-	-	419,500	419,500	-	-	-	-	419,500	404,000
Office and supplies	87,066	45,487	22,052	9,230	9,013	172,848	7,902	-	73,532	81,434	254,282	255,595
Professional fees	169,487	4,762	20,338	110,522	645	305,754	145	-	89,580	89,725	395,479	328,638
Travel and meetings	22,462	3,946	1,204	2,906	3,371	33,889	2,867	-	74,935	77,802	111,691	109,219
Depreciation and amortization	43,020	12,886	12,512	4,262	4,260	76,940	4,262	-	18,606	22,868	99,808	99,731
Special events	71,722	-	-	-	6,945	78,667	-	-	48,423	48,423	127,090	131,123
Other general	29,733	35,575	1,617	476	592	67,993	4,844	-	224,681	229,525	297,518	344,246
Total Functional 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	\$ 8,133,504	\$ 8,408,103

NEW JERSEY SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS AND AFFILIATES

Notes to Combined Financial Statements

May 31, 2019 and 2018

	<u>2018</u>
Program services	
Membership activities	\$ 1,238,931
Communications and public relations	991,403
Educational activities	2,913,066
Peer review	382,024
Career development	<u>626,439</u>
Total program services	<u>6,151,863</u>
Support services	
Membership development activities	264,542
Fundraising	14,054
Management and general	<u>1,977,644</u>
Total support services	<u>2,256,240</u>
	<u>\$ 8,408,103</u>

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 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.

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 \$6,600 and \$89,000 has been recorded as of May 31, 2019 and 2018, respectively.

Total rental expense for the years ended May 31, 2019 and 2018 amounted to approximately \$438,000 and \$440,000, respectively. The aforementioned rentals include utility and occupancy costs of approximately \$37,000 and \$36,000 in 2019 and 2018, respectively.

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 is to begin on July 1, 2019, and has an initial lease term of 11 years, 8 months. The lease includes six months of rent abatement and cash payments are not equal over the term of the lease, therefore, rent expense will be accounted for on a straight-line basis. There are to be no lease escalations for the first twelve months of the

NEW JERSEY SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS AND AFFILIATES

Notes to Combined Financial Statements

May 31, 2019 and 2018

lease. Including the new real estate lease and minor equipment leases, minimum rental payments are due as follows:

Years ending May 31,	
2020	\$ 343,000
2021	302,000
2022	370,000
2023	419,000
2024 & thereafter	<u>3,353,000</u>
	<u>\$ 4,787,000</u>

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, 2019 and 2018 totaled approximately \$184,000 and \$180,000, respectively.

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 \$140,000 and \$145,000 for the years ended May 31, 2019 and 2018, respectively. At May 31, 2019, conditional awards totaled \$338,000 and, assuming all conditions are satisfied, are scheduled to be paid as follows: \$59,500 in fiscal 2020, \$77,000 in fiscal 2021, \$97,500 in fiscal 2022 and \$104,000 in fiscal 2023.

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, 2019 and 2018 totaled approximately \$11,000 and \$12,000, 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, 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	<u>759,915</u>	<u>120,968</u>	<u>-</u>	<u>-</u>	<u>880,883</u>
Total assets	<u>\$ 6,716,170</u>	<u>\$ 2,772,481</u>	<u>\$ 2,878,718</u>	<u>\$ -</u>	<u>\$ 12,367,369</u>
 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 to (from) affiliated entity	<u>(149,950)</u>	<u>161,967</u>	<u>(12,017)</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>1,434,432</u>	<u>931,874</u>	<u>248,483</u>	<u>-</u>	<u>2,614,789</u>
Commitments					
 NET ASSETS					
Without donor restrictions	5,281,738	1,840,607	-	-	7,122,345
With donor restrictions	<u>-</u>	<u>-</u>	<u>2,630,235</u>	<u>-</u>	<u>2,630,235</u>
Total net assets	<u>5,281,738</u>	<u>1,840,607</u>	<u>2,630,235</u>	<u>-</u>	<u>9,752,580</u>
Total liabilities and net assets	<u>\$ 6,716,170</u>	<u>\$ 2,772,481</u>	<u>\$ 2,878,718</u>	<u>\$ -</u>	<u>\$ 12,367,369</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, 2019

	NJCPA	Foundation	Scholarship Fund	Eliminations	Combined
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
Publication, 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	<u>-</u>	<u>-</u>	<u>513,886</u>	<u>(202,884)</u>	<u>311,002</u>
Total unrestricted 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 general	<u>220,900</u>	<u>75,173</u>	<u>1,445</u>	<u>-</u>	<u>297,518</u>
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	-	-	(65,652)	-	(65,652)
Net assets released from restrictions	<u>-</u>	<u>-</u>	<u>(513,886)</u>	<u>202,884</u>	<u>(311,002)</u>
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	<u>(4,687,557)</u>	<u>(3,158,259)</u>	<u>(516,386)</u>	<u>202,884</u>	<u>(8,159,318)</u>
Net cash used in operating activities	<u>(377,276)</u>	<u>(287,115)</u>	<u>(78,852)</u>	<u>-</u>	<u>(743,243)</u>
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	<u>(577,366)</u>	<u>(121,362)</u>	<u>-</u>	<u>-</u>	<u>(698,728)</u>
Net cash (used in) provided by investing activities	<u>(674,849)</u>	<u>(162,021)</u>	<u>191,071</u>	<u>-</u>	<u>(645,799)</u>
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	<u>3,651,731</u>	<u>1,567,938</u>	<u>527,643</u>	<u>-</u>	<u>5,747,312</u>
Cash and cash equivalents at end of year	<u>\$ 2,599,606</u>	<u>\$ 1,118,802</u>	<u>\$ 639,862</u>	<u>\$ -</u>	<u>\$ 4,358,270</u>
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 (gains) losses 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	<u>(81,931)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(81,931)</u>
Net cash used in operating activities	<u>\$ (377,276)</u>	<u>\$ (287,115)</u>	<u>\$ (78,852)</u>	<u>\$ -</u>	<u>\$ (743,243)</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
As of May 31, 2018

ASSETS	NJCPA	Foundation	Scholarship Fund	Eliminations	Combined
Cash and cash equivalents	\$ 3,651,731	\$ 1,567,938	\$ 527,643	\$ -	\$ 5,747,312
Accounts receivable	19,297	29,915	-	-	49,212
Prepaid expenses	94,057	160,633	999	-	255,689
Investments	3,279,716	1,386,292	2,561,980	-	7,227,988
Property and equipment, net	<u>281,292</u>	<u>292</u>	<u>-</u>	<u>-</u>	<u>281,584</u>
Total assets	<u>\$ 7,326,093</u>	<u>\$ 3,145,070</u>	<u>\$ 3,090,622</u>	<u>\$ -</u>	<u>\$ 13,561,785</u>
 LIABILITIES AND NET ASSETS					
Accounts payable and accrued expenses	\$ 313,327	\$ 70,794	\$ 269,500	\$ -	\$ 653,621
Deferred revenue	1,514,117	718,586	-	-	2,232,703
Deferred rent	88,558	-	-	-	88,558
Due to (from) affiliated entity	<u>(39,901)</u>	<u>58,417</u>	<u>(18,516)</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>1,876,101</u>	<u>847,797</u>	<u>250,984</u>	<u>-</u>	<u>2,974,882</u>
Commitments					
 NET ASSETS					
Without donor restrictions	5,449,992	2,297,273	-	-	7,747,265
With donor restrictions	<u>-</u>	<u>-</u>	<u>2,839,638</u>	<u>-</u>	<u>2,839,638</u>
Total net assets	<u>5,449,992</u>	<u>2,297,273</u>	<u>2,839,638</u>	<u>-</u>	<u>10,586,903</u>
Total liabilities and net assets	<u>\$ 7,326,093</u>	<u>\$ 3,145,070</u>	<u>\$ 3,090,622</u>	<u>\$ -</u>	<u>\$ 13,561,785</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, 2018

	NJCPA	Foundation	Scholarship Fund	Eliminations	Combined
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS					
Revenues and other support					
Membership dues and other fees	\$ 3,668,333	\$ -	\$ -	\$ -	\$ 3,668,333
Educational program fees	-	3,710,595	-	-	3,710,595
Peer review fees	400,173	-	-	-	400,173
Publication, directory and website advertising	79,956	-	-	-	79,956
Net assets released from restrictions	242,789	92,679	-	-	335,468
Royalties and commissions	166,370	96,168	-	-	262,538
Special events	77,366	-	-	-	77,366
Other	161,507	(2,179)	-	-	159,328
Net assets released from restrictions	<u>-</u>	<u>-</u>	<u>498,560</u>	<u>(216,668)</u>	<u>281,892</u>
 Total unrestricted revenues and other support	 <u>4,796,494</u>	 <u>3,897,263</u>	 <u>498,560</u>	 <u>(216,668)</u>	 <u>8,975,649</u>
Expenses					
Salaries, payroll taxes and employee benefits	3,020,640	972,000	65,500	-	4,058,140
Direct costs of educational programs	-	2,197,139	13,568	(48,168)	2,162,539
Rent and occupancy	372,332	60,900	6,800	-	440,032
Printing and distribution	44,743	28,482	1,615	-	74,840
Scholarship awards	-	168,500	404,000	(168,500)	404,000
Office and supplies	219,353	32,747	3,495	-	255,595
Professional fees	324,494	4,144	-	-	328,638
Travel and meetings	105,490	2,986	743	-	109,219
Depreciation and amortization	79,063	19,368	1,300	-	99,731
Special events	131,123	-	-	-	131,123
Other general	<u>250,849</u>	<u>91,858</u>	<u>1,539</u>	<u>-</u>	<u>344,246</u>
 Total expenses	 <u>4,548,087</u>	 <u>3,578,124</u>	 <u>498,560</u>	 <u>(216,668)</u>	 <u>8,408,103</u>
 Increase in net assets without donor restrictions	 <u>248,407</u>	 <u>319,139</u>	 <u>-</u>	 <u>-</u>	 <u>567,546</u>
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS					
Contributions	-	-	358,791	(216,668)	142,123
Investment income	-	-	177,700	-	177,700
Net assets released from restrictions	<u>-</u>	<u>-</u>	<u>(498,560)</u>	<u>216,668</u>	<u>(281,892)</u>
 Increase in net assets with donor restrictions	 <u>-</u>	 <u>-</u>	 <u>37,931</u>	 <u>-</u>	 <u>37,931</u>
 Changes in net assets	 248,407	 319,139	 37,931	 -	 605,477
Net assets at beginning of year	<u>5,201,585</u>	<u>1,978,134</u>	<u>2,801,707</u>	<u>-</u>	<u>9,981,426</u>
Net assets at end of year	<u>\$ 5,449,992</u>	<u>\$ 2,297,273</u>	<u>\$ 2,839,638</u>	<u>\$ -</u>	<u>\$ 10,586,903</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, 2018

	NJCPA	Foundation	Scholarship Fund	Eliminations	Combined
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from dues, program fees and contributions	\$ 4,495,517	\$ 3,791,792	\$ 358,791	\$ (216,668)	\$ 8,429,432
Interest and dividends received, net of fees	103,580	42,579	68,796	-	214,955
Cash paid to employees, vendors and others	<u>(4,650,645)</u>	<u>(3,471,831)</u>	<u>(504,444)</u>	<u>216,668</u>	<u>(8,410,252)</u>
Net cash provided by (used in) operating activities	<u>(51,548)</u>	<u>362,540</u>	<u>(76,857)</u>	<u>-</u>	<u>234,135</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Redemption of investments	228,072	107,574	492,104	-	827,750
Purchases of investments	(316,109)	(143,918)	(459,999)	-	(920,026)
Acquisition of property and equipment	<u>(174,659)</u>	<u>800</u>	<u>-</u>	<u>-</u>	<u>(173,859)</u>
Net cash provided by (used in) investing activities	<u>(262,696)</u>	<u>(35,544)</u>	<u>32,105</u>	<u>-</u>	<u>(266,135)</u>
Net increase (decrease) in cash and cash equivalents	(314,244)	326,996	(44,752)	-	(32,000)
Cash and cash equivalents at beginning of year	<u>3,965,975</u>	<u>1,240,942</u>	<u>572,395</u>	<u>-</u>	<u>5,779,312</u>
Cash and cash equivalents at end of year	<u>\$ 3,651,731</u>	<u>\$ 1,567,938</u>	<u>\$ 527,643</u>	<u>\$ -</u>	<u>\$ 5,747,312</u>
Reconciliation of changes in net assets to net cash provided by (used in) operating activities					
Changes in net assets	\$ 248,407	\$ 319,139	\$ 37,931	\$ -	\$ 605,477
Adjustments to reconcile changes in net assets to net cash used in operating activities					
Depreciation and amortization	79,063	19,368	1,300	-	99,731
Realized gains on sales of investments	(1,805)	(1,219)	(15,752)	-	(18,776)
Unrealized gains on investments	(137,404)	(48,882)	(93,151)	-	(279,437)
Loss on disposal of equipment	266	2,179	-	-	2,445
Increase (decrease) in cash from changes in operating assets and liabilities					
Accounts receivable	33,265	(4,523)	-	-	28,742
Prepaid expenses	(4,933)	15,087	-	-	10,154
Due (to) from affiliated entity, net	(58,156)	53,341	4,815	-	-
Accounts payable and accrued expenses	(53,252)	18,499	(12,000)	-	(46,753)
Deferred revenue	(91,722)	(10,449)	-	-	(102,171)
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>\$ (51,548)</u>	<u>\$ 362,540</u>	<u>\$ (76,857)</u>	<u>\$ -</u>	<u>\$ 234,135</u>

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