

**The New York State Society of
Certified Public Accountants and Related Entities**

**Consolidated and Combined Financial Statements
(With Supplementary Information)
and Independent Auditor's Report**

May 31, 2022 and 2021

**The New York State Society of
Certified Public Accountants and Related Entities**

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Independent Auditor's Report

To the Board of Directors
The New York State Society of Certified Public Accountants

Opinion

We have audited the consolidated and combined financial statements of The New York State Society of Certified Public Accountants and Related Entities (the "Organization"), which comprise the consolidated and combined statements of financial position as of May 31, 2022 and 2021, and the related consolidated and combined statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated and combined financial statements.

In our opinion, the accompanying consolidated and combined financial statements present fairly, in all material respects, the consolidated and combined financial position of the Organization as of May 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated and Combined Financial Statements section of our report. We are required to be independent of the Organization, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated and Combined Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated and combined financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated and combined financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date that the consolidated and combined financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated and Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated and combined financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated and combined financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated and combined financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated and combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated and combined financial statements as a whole. The supplementary consolidating and combining information is presented for purposes of additional analysis and is not a required part of the consolidated and combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated and combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated and combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated and combined financial statements or to the consolidated and 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 information is fairly stated in all material respects in relation to the consolidated and combined financial statements as a whole.

CohnReznick LLP

New York, New York
December 15, 2022

The New York State Society of Certified Public Accountants and Related Entities

**Consolidated and Combined Statements of Financial Position
May 31, 2022 and 2021**

	<u>Assets</u>	
	<u>2022</u>	<u>2021</u>
Current assets		
Cash	\$ 6,396,437	\$ 7,589,802
Accounts receivable	155,103	123,314
Investments	9,784,087	8,293,352
Prepaid expenses	<u>285,259</u>	<u>209,141</u>
Total current assets	<u>16,620,886</u>	<u>16,215,609</u>
Long-term assets		
Fixed assets - net	<u>686,275</u>	<u>739,771</u>
Total long-term assets	<u>686,275</u>	<u>739,771</u>
Total assets	<u>\$ 17,307,161</u>	<u>\$ 16,955,380</u>
	<u>Liabilities and Net Assets</u>	
Current liabilities		
Accounts payable and accrued expenses	\$ 1,008,281	\$ 774,974
Deferred dues and unearned subscriptions and fees	3,105,434	2,723,922
Deferred rent	113,530	113,530
Loans payable	57,103	463,574
Capital lease obligations	<u>16,034</u>	<u>24,221</u>
Total current liabilities	<u>4,300,382</u>	<u>4,100,221</u>
Long-term liabilities		
Deferred rent	66,227	179,757
Loans payable	-	962,803
Capital lease obligations	<u>8,768</u>	<u>24,802</u>
Total long-term liabilities	<u>74,995</u>	<u>1,167,362</u>
Total liabilities	<u>4,375,377</u>	<u>5,267,583</u>
Commitments		
Net assets		
Without donor restrictions	11,921,203	10,253,330
With donor restrictions	<u>1,010,581</u>	<u>1,434,467</u>
Total net assets	<u>12,931,784</u>	<u>11,687,797</u>
Total liabilities and net assets	<u>\$ 17,307,161</u>	<u>\$ 16,955,380</u>

See Notes to Consolidated and Combined Financial Statements.

The New York State Society of Certified Public Accountants and Related Entities

**Consolidated and Combined Statements of Activities
Years Ended May 31, 2022 and 2021**

	2022			2021		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Revenues and other support						
Membership dues	\$ 7,944,821	\$ -	\$ 7,944,821	\$ 7,998,495	\$ -	\$ 7,998,495
Education fees	1,526,567	-	1,526,567	1,590,689	-	1,590,689
The CPA Journal	450,617	-	450,617	496,312	-	496,312
Member services	354,342	-	354,342	223,128	-	223,128
Chapter activities	101,276	-	101,276	5,620	-	5,620
The Trusted Professional Contributions	107,150	-	107,150	106,697	-	106,697
Contributions	-	186,500	186,500	-	142,271	142,271
Investment (loss) income, net	(267,668)	(199,740)	(467,408)	854,587	445,489	1,300,076
Gain on debt extinguishment	1,161,405	-	1,161,405	-	-	-
Other revenues	198,700	-	198,700	241,271	-	241,271
Net assets released from restrictions	410,646	(410,646)	-	479,825	(479,825)	-
Total revenues and other support	11,987,856	(423,886)	11,563,970	11,996,624	107,935	12,104,559
Expenses						
Program services						
Membership and member services	3,068,926	-	3,068,926	2,783,993	-	2,783,993
Education	1,899,106	-	1,899,106	1,898,092	-	1,898,092
The CPA Journal	899,844	-	899,844	880,748	-	880,748
Chapter activities	478,148	-	478,148	358,815	-	358,815
The Trusted Professional	345,162	-	345,162	342,481	-	342,481
Career Opportunities in the Accounting Profession (COAP) and scholarship programs	395,646	-	395,646	455,825	-	455,825
Advocacy - CPA PAC	15,000	-	15,000	24,000	-	24,000
Total program services	7,101,832	-	7,101,832	6,743,954	-	6,743,954
Supporting services						
General and administrative	3,218,151	-	3,218,151	3,179,661	-	3,179,661
Total supporting services	3,218,151	-	3,218,151	3,179,661	-	3,179,661
Total expenses	10,319,983	-	10,319,983	9,923,615	-	9,923,615
Changes in net assets	1,667,873	(423,886)	1,243,987	2,073,009	107,935	2,180,944
Net assets, beginning	10,253,330	1,434,467	11,687,797	8,180,321	1,326,532	9,506,853
Net assets, end	\$ 11,921,203	\$ 1,010,581	\$ 12,931,784	\$ 10,253,330	\$ 1,434,467	\$ 11,687,797

See Notes to Consolidated and Combined Financial Statements.

The New York State Society of Certified Public Accountants and Related Entities

Consolidated and Combined Statement of Functional Expenses
Year Ended May 31, 2022

	Program services							Supporting services		Total
	Membership and member services	Education	The CPA Journal	Chapter activities	The Trusted Professional	COAP and scholarship programs	Advocacy	Total programs	Management and general	
Salaries, employee benefits and taxes	\$ 1,735,789	\$ 1,141,402	\$ 462,683	\$ 233,258	\$ 221,225	\$ 203,196	\$ -	\$ 3,997,553	\$ 2,172,123	\$ 6,169,676
Occupancy	427,588	124,756	113,976	57,460	54,496	41,865	-	820,141	457,387	1,277,528
Cost of sales	-	486,471	149,247	-	-	-	-	635,718	-	635,718
Professional fees	220,383	51,612	78,540	23,772	28,003	17,319	-	419,629	317,068	736,697
Meetings and events	111,946	-	-	106,004	-	2,500	-	220,450	-	220,450
Information technology	122,421	35,718	32,632	16,451	15,602	11,985	-	234,809	130,952	365,761
Contributions and awards	-	-	8,730	-	-	98,932	15,000	122,662	-	122,662
Depreciation and amortization	94,816	27,664	25,274	12,742	12,084	10,990	-	183,570	102,666	286,236
Other	355,983	31,483	28,762	28,461	13,752	8,859	-	467,300	37,955	505,255
Total expenses	<u>\$ 3,068,926</u>	<u>\$ 1,899,106</u>	<u>\$ 899,844</u>	<u>\$ 478,148</u>	<u>\$ 345,162</u>	<u>\$ 395,646</u>	<u>\$ 15,000</u>	<u>\$ 7,101,832</u>	<u>\$ 3,218,151</u>	<u>\$ 10,319,983</u>

See Notes to Consolidated and Combined Financial Statements.

The New York State Society of Certified Public Accountants and Related Entities

Consolidated and Combined Statement of Functional Expenses
Year Ended May 31, 2021

	Program services							Supporting services		Total
	Membership and member services	Education	The CPA Journal	Chapter activities	The Trusted Professional	COAP and scholarship programs	Advocacy	Total programs	Management and general	
Salaries, employee benefits and taxes	\$ 1,503,602	\$ 1,112,490	\$ 404,205	\$ 194,642	\$ 203,254	\$ 198,621	\$ -	\$ 3,616,814	\$ 2,016,310	\$ 5,633,124
Occupancy	462,508	145,839	124,333	59,872	62,521	50,459	-	905,532	532,237	1,437,769
Cost of sales	-	489,193	161,870	-	8,715	-	-	659,778	-	659,778
Professional fees	241,873	56,038	99,475	23,006	27,466	19,388	-	467,246	368,824	836,070
Meetings and events	3,323	-	-	19,391	-	2,500	-	25,214	-	25,214
Information technology	104,909	33,080	28,202	13,580	14,181	11,444	-	205,396	120,727	326,123
Contributions and awards	-	-	-	-	-	151,875	24,000	175,875	-	175,875
Depreciation and amortization	94,530	29,807	25,412	12,237	12,778	10,313	-	185,077	113,197	298,274
Other	373,248	31,645	37,251	36,087	13,566	11,225	-	503,022	28,366	531,388
Total expenses	<u>\$ 2,783,993</u>	<u>\$ 1,898,092</u>	<u>\$ 880,748</u>	<u>\$ 358,815</u>	<u>\$ 342,481</u>	<u>\$ 455,825</u>	<u>\$ 24,000</u>	<u>\$ 6,743,954</u>	<u>\$ 3,179,661</u>	<u>\$ 9,923,615</u>

See Notes to Consolidated and Combined Financial Statements.

The New York State Society of Certified Public Accountants and Related Entities

**Consolidated and Combined Statements of Cash Flows
Years Ended May 31, 2022 and 2021**

	2022	2021
Operating activities		
Change in net assets	\$ 1,243,987	\$ 2,180,944
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	286,236	298,274
Bad debt expense	8,397	6,108
Realized and unrealized loss (gain) on investments	551,776	(1,203,579)
Gain on debt extinguishment	(1,161,405)	-
Changes in assets and liabilities		
Accounts receivable	(40,186)	136,740
Prepaid expenses	(76,118)	80,138
Accounts payable and accrued expenses	246,112	(308,648)
Deferred dues and unearned subscriptions and fees	381,512	125,781
Deferred rent	(113,530)	(113,530)
	<u>1,326,781</u>	<u>1,202,228</u>
Investing activities		
Purchases of fixed assets	(232,740)	(73,391)
Proceeds from sales of investments	2,407,217	5,101,674
Purchases of investments	(4,449,728)	(4,008,422)
	<u>(2,275,251)</u>	<u>1,019,861</u>
Financing activities		
Borrowings	-	905,700
Principal payments on loan	(220,674)	(210,191)
Principal payments on capital lease obligations	(24,221)	(33,671)
	<u>(244,895)</u>	<u>661,838</u>
Net (decrease) increase in cash	(1,193,365)	2,883,927
Cash, beginning	<u>7,589,802</u>	<u>4,705,875</u>
Cash, end	<u>\$ 6,396,437</u>	<u>\$ 7,589,802</u>
Supplemental cash flow disclosures		
Cash paid during the year for interest	<u>\$ 9,867</u>	<u>\$ 21,367</u>
Noncash investing and financing activities		
Purchase of equipment through capital lease obligations	<u>\$ -</u>	<u>\$ 28,730</u>

See Notes to Consolidated and Combined Financial Statements.

The New York State Society of Certified Public Accountants and Related Entities

Notes to Consolidated and Combined Financial Statements May 31, 2022 and 2021

Note 1 - Nature and purposes of the organization

The New York State Society of Certified Public Accountants (the "Society") is a not-for-profit membership organization, the purpose of which is to provide its members with the following broad areas of service: education, publications, ethical practice, protection of the profession, advancement of the profession and other membership benefits. The accompanying consolidated and combined financial statements reflect the assets, liabilities and net assets, revenues, expenses and cash flows of the Society and its related entities described in the following paragraphs, as well as those of the Society's various chapters. The primary sources of revenue of the Society are membership dues, publications and services to members.

Related entities

The Foundation for Accounting Education, Inc. (the "Foundation") is a not-for-profit organization, the purpose of which is to engage in education, research and related activities in the field of accountancy, including the sponsorship of courses and seminars to provide continuing education for members of the profession. In addition, the Foundation provides information on career opportunities in the profession and scholarship assistance at the undergraduate level. The primary sources of revenue of the Foundation are education fees and contributions.

New York State Society CPA PAC, Inc. (the "CPA PAC") is a not-for-profit organization, the purpose of which is to provide for the mutual assistance, advancement and recognition of its members and the profession of public accounting by promoting participation in political activities in New York State. The primary source of revenue of the CPA PAC is contributions.

The Moynihan Scholarship Fund, Inc. (the "Moynihan Fund") is a not-for-profit organization, the purpose of which is to engage in charitable and education purposes and activities, and to provide assistance to individuals and students in pursuing their professional and personal ambitions in the field of accountancy. As discussed in Note 7, the Moynihan Fund originally operated as a program of the Foundation and was incorporated in July 2017. The Moynihan Fund provides financing, scholarships, social events, education, and internship opportunities, as well as providing other services, programs and tools to achieve them.

As of June 1, 2020, the Society is the sole member of the Foundation and the Moynihan Fund.

Note 2 - Summary of significant accounting policies

Principles of consolidation and combination

The accompanying consolidated and combined financial statements include the financial position, operating activities and cash flows of the Society, the Foundation, the CPA PAC, and the Moynihan Fund (collectively, the "Organization"). All significant intercompany accounts and transactions have been eliminated in consolidated and combination. The individual entities have interrelated directors/trustees and share common facilities and personnel. Various expenses, including occupancy costs, salaries and certain administrative expenses, have been allocated among the Society, the Foundation, the CPA PAC, and the Moynihan Fund based upon services rendered by common personnel and usage of common facilities.

Basis of accounting

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

The New York State Society of Certified Public Accountants and Related Entities

Notes to Consolidated and Combined Financial Statements May 31, 2022 and 2021

Classification of net assets

Net assets and revenues, gain and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported in two categories of net assets as follows:

Without donor restrictions - net assets that are not subject to donor-imposed stipulations.

With donor restrictions - net assets that are restricted by donor for use for a specific purpose or in a future period. Some donor-imposed restrictions are temporary in nature and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions on net assets included in this category are permanent in nature. These net assets have been restricted by donor to be maintained by the Organization either in perpetuity or until released by specific action by the Organization's Board of Directors in accordance with applicable law.

The Organization has net assets with donor restrictions amounting to \$1,010,581 and \$1,434,467 as of May 31, 2022 and 2021, respectively.

Use of estimates

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

Tax-exempt status

The Society has been recognized as an organization exempt from income taxes under Section 501(c)(6) of the Internal Revenue Code (the "Code"). However, revenue earned on activities which are unrelated to the Society's exempt purpose is taxable. The Foundation and the Moynihan Fund are exempt from federal taxes under Section 501(c)(3) of the Code and from state and local taxes under comparable laws. As a political organization, the CPA PAC is subject to corporate tax on its taxable income.

If applicable, the Organization recognizes interest and penalties associated with tax matters as general and administrative expense and includes accrued interest and penalties with accrued expenses in the combined statements of financial position.

The Organization believes that it has taken no significant uncertain tax positions at May 31, 2022 and 2021. The Organization's federal and state income tax returns prior to fiscal year 2019 are closed, and management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

Concentrations of credit risk

Financial instruments that expose the Organization to concentrations of credit risk consist primarily of cash. Cash equivalents include highly liquid investments with an original maturity date of three months or less when acquired. The Organization had no cash equivalents, outside of investment portfolios, as of May 31, 2022 and 2021. Cash and cash equivalents held as part of the Organization's investments are deemed to be held for long-term purposes. The Organization places its cash with high credit quality financial institutions. At times, such amounts may exceed federally insured limits.

The New York State Society of Certified Public Accountants and Related Entities

Notes to Consolidated and Combined Financial Statements May 31, 2022 and 2021

Accounts receivable

Accounts receivable are reported at their outstanding unpaid principal balances, reduced by an allowance for doubtful accounts. The Organization estimates doubtful accounts based on historical bad debts, factors related to specific members' and customers' ability to pay and current economic trends. The Organization writes off accounts receivable against the allowance when a balance is determined to be uncollectible. Interest is not accrued or recorded on outstanding receivables. The Organization has determined that no allowance was required as of May 31, 2022 and 2021.

Investment valuation

The Organization values its financial assets and liabilities based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three broad levels:

- Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.
- Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.
- Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

In determining fair value, the Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as considers counterparty credit risk in its assessment of fair value. There have been no changes in the methodologies used at May 31, 2022 and 2021.

Investments in cash and cash equivalents, fixed income securities, and equity securities are valued using market prices on active markets ("Level 1"). Level 1 instrument valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets. Mutual funds are valued at the daily closing price as reported by the fund. Mutual funds held are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value ("NAV") and to transact at that price. The mutual funds held are deemed to be actively traded daily and there are no lockup periods or redemption frequency limitations ("Level 1").

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The New York State Society of Certified Public Accountants and Related Entities

Notes to Consolidated and Combined Financial Statements May 31, 2022 and 2021

Fixed assets

Fixed assets, including furniture and equipment, data processing systems, and leasehold improvements, are recorded at cost. Depreciation is provided on the straight-line method over the estimated useful lives of three to ten years for furniture and equipment and three to five years for data processing systems. Capital leases and leasehold improvements are amortized over either the remaining term of the underlying lease or the useful lives of the improvements, whichever is shorter, using the straight-line method.

Deferred rent

Deferred rent reflects the excess of rent expensed on the straight-line basis over rent payments made under the terms of the lease.

Contributions

Unconditional contributions, including promises to give cash and other assets, are reported at fair value at the date the contribution is received. The gifts are reported as with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met or explicitly waived by the donor.

Deferred dues and unearned subscriptions and fees

The Society receives dues from its members. The membership period is the same as the Organization's fiscal year and dues received for the current year's membership period are recognized as revenue in the current year as the Organization provides benefits. The revenue arising from dues received for a future year's memberships are deferred until that year. Revenue from amounts received in advance for *The CPA Journal* subscriptions and for other purposes (e.g., fees for future conferences) is deferred to the applicable year. In both fiscal years 2022 and 2021, from each member's dues, the Organization allocated \$15 to *The CPA Journal* and \$5 to *The Trusted Professional*, representing the value of each publication.

Revenues

Membership dues include general membership dues for new and renewing members. Membership dues are assessed prior to the beginning of the Organization's fiscal year and are recognized in the year in which the Organization provides benefits. The performance obligations consist primarily of providing members: ongoing advocacy efforts on state and federal issues; discounted fees or complementary access to conferences, events, and education materials; industry publications; research materials and technical guidance; and access to discounted insurance plans and other business products. The portion of dues related to discounted conferences and events are recognized as the conferences and events occur. The remaining portion is recognized ratably as services are simultaneously received and consumed by the members.

Education fees include amounts paid for educational courses. Education fees are recognized when the course occurs.

Member services consist of fees paid to the Organization by insurance providers based on a percentage of the discounted insurance premiums members pay to the partnering third-party insurance providers. Member services revenue is recognized when the members purchase the plans.

Chapter activities consist of fees collected from various events and meetings held by the local chapters. Chapter activities revenue is recognized when the events and meetings occur.

The New York State Society of Certified Public Accountants and Related Entities

Notes to Consolidated and Combined Financial Statements May 31, 2022 and 2021

Advertising costs

Costs of promotion and advertising are expensed as incurred. For the fiscal years ended May 31, 2022 and 2021, advertising expense amounted to \$5,390 and \$4,998, respectively.

Functional expenses

The costs of supporting the various programs and other activities of the Organization have been summarized on a functional basis in the consolidated and combined statement of functional expenses. Costs that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the program services, management and general, and fundraising categories based on time and effort measurements. Management and general expenses include costs not identifiable with any specific program, but which provide for the overall support and direction of the Organization. Fundraising costs are expensed as incurred, even though they may result in contributions received in future years.

Upcoming accounting pronouncements

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, *Leases (Topic 842)*, which requires organizations that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the statements of financial position for leases with terms exceeding 12 months. ASU 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. ASU 2016-02 is effective for the Organization for the fiscal year beginning June 1, 2022. Note 9 summarizes the Organization's material lease obligation at May 31, 2022. The Organization is in the process of evaluating the impact this standard will have on the consolidated and combined financial statements.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958), Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU does not change existing recognition and measurement requirements but would require a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets and disclose (1) contributed nonfinancial assets received disaggregated by category that depicts the type of contributed nonfinancial assets, and, (2) for each category, (a) qualitative information about whether the contributed nonfinancial assets were or are intended to be either monetized or utilized during the reporting period and future periods, and, if utilized, a description of the programs or other activities in which those assets were or are intended to be used; (b) a description of any donor restrictions associated with the contributed nonfinancial assets; and (c) the valuation techniques and inputs used to arrive at a fair value measure, including the principal market (or most advantageous market) if significant. The Organization is in the process of evaluating the impact this standard will have on the consolidated and combined financial statements.

Subsequent events

Management has evaluated subsequent events through December 15, 2022, the date the consolidated and combined financial statements were available to be issued. No adjustments have been booked to the consolidated and combined financial statements as a result of management's evaluation.

The New York State Society of Certified Public Accountants and Related Entities

**Notes to Consolidated and Combined Financial Statements
May 31, 2022 and 2021**

Note 3 - Investments

The following table sets forth, within the fair value hierarchy, the investments (see Note 2), at fair value at May 31, 2022 and 2021:

	2022		2021	
	Level 1	Total	Level 1	Total
Cash and cash equivalents	\$ 400,249	\$ 400,249	\$ 305,166	\$ 305,166
Equity securities	4,735,689	4,735,689	4,024,183	4,024,183
Fixed income securities	2,104,128	2,104,128	1,771,110	1,771,110
Mutual funds				
Fixed income	988,108	988,108	788,418	788,418
Equity	1,555,913	1,555,913	1,404,475	1,404,475
	<u>\$ 9,784,087</u>	<u>\$ 9,784,087</u>	<u>\$ 8,293,352</u>	<u>\$ 8,293,352</u>

Note 4 - Fixed assets

Fixed assets consist of the following:

	May 31,	
	2022	2021
Furniture and equipment	\$ 1,962,416	\$ 1,962,416
Data processing system	3,452,034	3,219,294
Leasehold improvements	995,208	995,208
	6,409,658	6,176,918
Less accumulated depreciation and amortization	<u>(5,723,383)</u>	<u>(5,437,147)</u>
	<u>\$ 686,275</u>	<u>\$ 739,771</u>

During the year ended May 31, 2021, the Organization disposed of fully depreciated assets in the amount of \$23,188.

Note 5 - Capital lease obligations

The Organization has entered into several capital equipment leases expiring at various dates through August 2024, with interest rates ranging from 3.25% to 4.25%. The cost of the equipment was \$162,470 with an accumulated amortization of \$137,919 at May 31, 2022. Interest expense in 2022 and 2021 totaled \$1,200 and \$2,200, respectively.

The New York State Society of Certified Public Accountants and Related Entities

**Notes to Consolidated and Combined Financial Statements
May 31, 2022 and 2021**

The future lease payments are as follows:

<u>Year ending May 31,</u>			
	2023	\$	16,567
	2024		7,669
	2025		<u>1,278</u>
			25,514
	Less amount representing interest		<u>(712)</u>
	Present value of net minimum lease payments		24,802
	Less current portion		<u>(16,034)</u>
		\$	<u><u>8,768</u></u>

Note 6 - Loans payable

Bank Line of Credit and Term Loan

In fiscal year 2016, the Society and Foundation, as co-borrowers, obtained a working capital line of credit of \$480,000 from a bank. The working line of credit was increased to \$500,000 in January 2019. The line of credit has a variable interest rate of 3.25% as of May 31, 2022 and 2021. There were no drawdowns against this line of credit as of May 31, 2022 and 2021.

In fiscal year 2013, the Society and Foundation, as co-borrowers, obtained a term loan from the same bank above for the purpose of financing the Organization's office relocation expenses. The loan had a borrowing limit of \$2,000,000 and was available in one or multiple advances until August 21, 2013, on which date the loan had an outstanding principal balance of \$1,668,108. The loan has a maturity of 108 equal monthly installments and expired in August 2022. The loan bears a fixed interest rate of 4.81%. The balance due as of May 31, 2022 and 2021 amounted to \$57,103 and \$277,777, respectively. Subsequent to the year ended May, 31, 2022, the balance of the loan was repaid.

The working capital line of credit and the term loan are collateralized with a first position security interest on the assets of the Society and Foundation, excluding net assets with donor restrictions. The term loan is subject to certain conditions and covenants.

There was no amount outstanding under the working capital line of credit at May 31, 2022 and 2021.

The required principal payments on the term loan are as follows:

<u>Year ending May 31,</u>			
	2023	\$	<u><u>57,103</u></u>

Interest expense related to the term loan payable totaled \$8,684 and \$21,556 in 2022 and 2021, respectively.

The New York State Society of Certified Public Accountants and Related Entities

Notes to Consolidated and Combined Financial Statements May 31, 2022 and 2021

PPP loans

On May 6, 2020, the Foundation received \$242,900 as part of its application submission under the Paycheck Protection Program ("PPP") established by the Coronavirus Aid, Relief, and Economic Security ("CARES") Act and administered by the U.S. Small Business Administration ("SBA"). The Foundation recognized debt in accordance with Accounting Standards Codification ("ASC") 470, *Debt*.

Under the CARES Act, PPP Loan recipients meeting certain criteria set by the SBA may be eligible for full or partial forgiveness of such loans. On May 13, 2021, the Foundation submitted its PPP Loan forgiveness application to its bank. On June 7, 2021, the Foundation received notification from its bank that the SBA had approved full forgiveness of the \$242,900 loan and related interest thereon. Accordingly, during the year ended May 31, 2022, the Foundation derecognized the entire amount of the PPP Loan and recognized a corresponding gain on debt extinguishment on the consolidated and combined statements of activities.

On March 15 and March 25, 2021, the Society and the Foundation, respectively, obtained a PPP Loan for \$679,300 and \$226,400. On April 20 and May 12, 2022, the Foundation and the Society, respectively, received notification from their bank that the SBA had approved full forgiveness of the \$226,400 and \$679,300 loans and related interest thereon. Accordingly, during the year ended May 31, 2022, the Foundation and the Society derecognized the entire amount of each of the PPP Loans and recognized corresponding gains on debt extinguishment on the consolidated and combined statements of activities.

There is a six-year period during which the SBA can review the Organization's forgiveness calculation.

Interest expense accrued related to the PPP Loans amounted to \$10,416 and \$2,389 in 2022 and 2021, respectively. The total accrued interest expense was also forgiven and included in the gain on debt extinguishment in the consolidated and combined statements of activities.

Note 7 - Net assets with donor restrictions

Net assets with donor restrictions for programs at each fiscal year-end were restricted for the following activities:

	2022	2021
The Moynihan Fund	\$ 585,992	\$ 1,041,203
Member financial assistance	81,607	81,607
CPA PAC	261,286	229,961
Lecture series	13,446	13,446
	<u>\$ 942,331</u>	<u>\$ 1,366,217</u>

The New York State Society of Certified Public Accountants and Related Entities

**Notes to Consolidated and Combined Financial Statements
May 31, 2022 and 2021**

Donor-restricted net assets in perpetuity at each fiscal year-end represent endowment corpus to be held in perpetuity. The income from these net assets is expendable to support the following career development activities:

	<u>2022</u>	<u>2021</u>
Lecture series	\$ 15,000	\$ 15,000
The Moynihan Fund	<u>53,250</u>	<u>53,250</u>
	<u>\$ 68,250</u>	<u>\$ 68,250</u>

Net assets released from restrictions during each fiscal year consist of the following:

	<u>2022</u>	<u>2021</u>
The Moynihan Fund	\$ 395,646	\$ 455,825
CPA PAC	<u>15,000</u>	<u>24,000</u>
	<u>\$ 410,646</u>	<u>\$ 479,825</u>

The Moynihan Fund supports the Career Opportunities in the Accounting Profession and the Excellence in Accounting Scholarship programs, and provides voluntary financial aid and other assistance to members of the Society in need. The Moynihan Fund awarded scholarships amounting to approximately \$96,000 and \$152,000 in fiscal years ended May 31, 2022 and 2021, respectively.

Note 8 - Retirement plan

The Organization maintains a deferred compensation 401(k) retirement plan for all qualifying employees. Participants may elect to have a portion of their salaries deferred in an amount equal to but not less than 1%, nor exceed 100% of annual compensation, or the maximum limits allowed by the Code. The Organization is required to make a contribution equal to 3% of all eligible employees' salaries; the Organization is also required to make a matching contribution equal to 50% of each participating employee's deferral amount, limited to 10% of their salaries. Amounts contributed by the Organization to this plan totaled \$250,444 and \$223,187 for the fiscal years ended May 31, 2022 and 2021, respectively.

Note 9 - Commitments

The Organization occupies office space under a 10.5-year lease agreement expiring in December 2024. Office space rental expense (including charges for operating expenses and taxes) is recognized using the straight-line method over the term of the lease, and amounted to \$1,238,549 and \$1,399,390 for the fiscal years ended May 31, 2022 and 2021, respectively. Pursuant to the lease, the Organization has a letter of credit agreement totaling approximately \$300,000. This agreement guarantees the lease rental obligations. There were no payments drawn against this letter of credit by the beneficiary during 2022 and 2021.

The New York State Society of Certified Public Accountants and Related Entities

**Notes to Consolidated and Combined Financial Statements
May 31, 2022 and 2021**

Minimum future payments under the lease are summarized as follows:

<u>Year ending May 31,</u>		
2023		\$ 1,313,926
2024		<u>766,457</u>
		<u><u>\$ 2,080,383</u></u>

Note 10 - Availability and liquidity

The following represents the Organization's financial assets at May 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Financial assets, at year end		
Cash	\$ 6,396,437	\$ 7,589,802
Accounts receivable	155,103	123,314
Investments	<u>9,784,087</u>	<u>8,293,352</u>
Total financial assets	16,335,627	16,006,468
Less amounts not available to be used within one year		
Net assets with donor restrictions	<u>1,010,581</u>	<u>1,434,467</u>
Financial assets available to meet general expenditures over the next 12 months	<u><u>\$ 15,325,046</u></u>	<u><u>\$ 14,572,001</u></u>

As part of its liquidity plan, the Organization invests its excess cash in short-term investments, including money market accounts and certificates of deposit. If the need arises, the Organization can liquidate these short-term investments quickly, without incurring significant fees. The Organization also has a \$500,000 line of credit available to meet cash flow needs.

Note 11 - Risks and uncertainties

In early 2020 and continuing into 2022, an outbreak of a novel strain of coronavirus ("COVID-19") emerged globally. As a result, events have occurred including mandates from federal, state and local authorities significantly constraining the Organization's ability to raise funds. The significant reduction in income, including in education fees, member services, chapter activities, and contributions, caused by COVID-19 has resulted in a loss of income and other material adverse effects to the Organization's financial position, results of operations, and cash flows. The Organization is not able to estimate the length or severity of this outbreak and the related financial impact. Management plans to draw on borrowing capacity available under the Organization's revolving credit facility (see Note 10), to suspend or reduce spending for certain programs and adjust its operations accordingly, including taking cost saving measures and finding funding alternatives. If the length of the outbreak and related effects on the Organization's operations continues for an extended period of time, the Organization may seek alternative measures to finance its operations.

Supplementary Information

The New York State Society of Certified Public Accountants and Related Entities

Consolidating and Combining Schedule of Activities by Entity
Year Ended May 31, 2022

	The New York State Society of Certified Public Accountants											
	Foundation for Accounting Education, Inc.			CPA PAC			Moynihan Fund			Eliminations	Total	
	Without donor restrictions	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions			Total
Revenues and other support												
Membership dues	\$ 7,944,821	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,944,821
Education fees	-	1,526,567	-	1,526,567	-	-	-	-	-	-	-	1,526,567
The CPA Journal	450,617	-	-	-	-	-	-	-	-	-	-	450,617
Member services	354,342	-	-	-	-	-	-	-	-	-	-	354,342
Chapter activities	101,276	-	-	-	-	-	-	-	-	-	-	101,276
The Trusted Professional	107,150	-	-	-	-	-	-	-	-	-	-	107,150
Contributions	-	600,120	-	600,120	-	46,325	46,325	267,961	140,175	408,136	(868,081)	186,500
Investment (loss) income, net	(259,534)	(8,134)	-	(8,134)	-	-	-	-	(199,740)	(199,740)	-	(467,408)
Gain on debt extinguishment	687,131	474,274	-	474,274	-	-	-	-	-	-	-	1,161,405
Other revenues	198,700	-	-	-	-	-	-	-	-	-	-	198,700
Net assets released from restrictions	-	-	-	-	15,000	(15,000)	-	395,646	(395,646)	-	-	-
Total revenues and other support	9,584,503	2,592,827	-	2,592,827	15,000	31,325	46,325	663,607	(455,211)	208,396	(868,081)	11,563,970
Expenses												
Program services												
Membership and member services	3,937,007	-	-	-	-	-	-	-	-	-	(868,081)	3,068,926
Education	-	1,899,106	-	1,899,106	-	-	-	-	-	-	-	1,899,106
The CPA Journal	899,844	-	-	-	-	-	-	-	-	-	-	899,844
Chapter activities	478,148	-	-	-	-	-	-	-	-	-	-	478,148
The Trusted Professional	345,162	-	-	-	-	-	-	-	-	-	-	345,162
Career Opportunities in the Accounting Profession (COAP) and scholarship programs	-	-	-	-	-	-	-	395,646	-	395,646	-	395,646
Advocacy - CPA PAC	-	-	-	-	15,000	-	15,000	-	-	-	-	15,000
Total program services	5,660,161	1,899,106	-	1,899,106	15,000	-	15,000	395,646	-	395,646	(868,081)	7,101,832
Supporting services												
General and administrative	2,481,306	693,721	-	693,721	324	-	324	42,800	-	42,800	-	3,218,151
Total supporting services	2,481,306	693,721	-	693,721	324	-	324	42,800	-	42,800	-	3,218,151
Total expenses	8,141,467	2,592,827	-	2,592,827	15,324	-	15,324	438,446	-	438,446	(868,081)	10,319,983
Changes in net assets	1,443,036	-	-	-	(324)	31,325	31,001	225,161	(455,211)	(230,050)	-	1,243,987
Net assets, beginning	10,044,860	(1,207,862)	81,607	(1,126,255)	4,636	229,961	234,597	1,411,696	1,122,899	2,534,595	-	11,687,797
Net assets, end	\$ 11,487,896	\$ (1,207,862)	\$ 81,607	\$ (1,126,255)	\$ 4,312	\$ 261,286	\$ 265,598	\$ 1,636,857	\$ 667,688	\$ 2,304,545	\$ -	\$ 12,931,784

See Independent Auditor's Report.

The New York State Society of Certified Public Accountants and Related Entities

Consolidating and Combining Schedule of Activities by Entity
Year Ended May 31, 2021

	The New York State Society of Certified Public Accountants			Foundation for Accounting Education, Inc.			CPA PAC			Moynihan Fund			Eliminations	Total
	Without donor restrictions	Without donor restrictions	With donor restrictions	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total		
Revenues and other support														
Membership dues	\$ 7,998,495	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,998,495
Education fees	-	1,590,689	-	1,590,689	-	-	-	-	-	-	-	-	-	1,590,689
The CPA Journal	496,312	-	-	-	-	-	-	-	-	-	-	-	-	496,312
Member services	223,128	-	-	-	-	-	-	-	-	-	-	-	-	223,128
Chapter activities	5,620	-	-	-	-	-	-	-	-	-	-	-	-	5,620
The Trusted Professional	106,697	-	-	-	-	-	-	-	-	-	-	-	-	106,697
Contributions	-	908,227	-	908,227	-	46,251	46,251	254,690	96,020	350,710	(1,162,917)	-	142,271	
Investment income, net	833,661	20,926	-	20,926	-	-	-	-	445,489	445,489	-	-	1,300,076	
Other revenues	241,271	-	-	-	-	-	-	-	-	-	-	-	241,271	
Net assets released from restrictions	-	-	-	-	24,000	(24,000)	-	455,825	(455,825)	-	-	-	-	
Total revenues and other support	9,905,184	2,519,842	-	2,519,842	24,000	22,251	46,251	710,515	85,684	796,199	(1,162,917)	-	12,104,559	
Expenses														
Program services														
Membership and member services	3,946,910	-	-	-	-	-	-	-	-	-	(1,162,917)	-	2,783,993	
Education	-	1,898,092	-	1,898,092	-	-	-	-	-	-	-	-	1,898,092	
The CPA Journal	880,748	-	-	-	-	-	-	-	-	-	-	-	880,748	
Chapter activities	358,815	-	-	-	-	-	-	-	-	-	-	-	358,815	
The Trusted Professional	342,481	-	-	-	-	-	-	-	-	-	-	-	342,481	
Career Opportunities in the Accounting Profession (COAP) and scholarship programs	-	-	-	-	-	-	-	455,825	-	455,825	-	-	455,825	
Advocacy - CPA PAC	-	-	-	-	24,000	-	24,000	-	-	-	-	-	24,000	
Total program services	5,528,954	1,898,092	-	1,898,092	24,000	-	24,000	455,825	-	455,825	(1,162,917)	-	6,743,954	
Supporting services														
General and administrative	2,506,646	621,750	-	621,750	364	-	364	50,901	-	50,901	-	-	3,179,661	
Total supporting services	2,506,646	621,750	-	621,750	364	-	364	50,901	-	50,901	-	-	3,179,661	
Total expenses	8,035,600	2,519,842	-	2,519,842	24,364	-	24,364	506,726	-	506,726	(1,162,917)	-	9,923,615	
Changes in net assets	1,869,584	-	-	-	(364)	22,251	21,887	203,789	85,684	289,473	-	-	2,180,944	
Net assets, beginning	8,175,276	(1,207,862)	81,607	(1,126,255)	5,000	207,710	212,710	1,207,907	1,037,215	2,245,122	-	-	9,506,853	
Net assets, end	\$ 10,044,860	\$ (1,207,862)	\$ 81,607	\$ (1,126,255)	\$ 4,636	\$ 229,961	\$ 234,597	\$ 1,411,696	\$ 1,122,899	\$ 2,534,595	\$ -	\$ -	\$ 11,687,797	

See Independent Auditor's Report.



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