

**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, 2024 and 2023

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, 2024 and 2023, 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, 2024 and 2023, 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 audits.

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 schedules of activities by entity are presented for purposes of additional analysis and are 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 audits 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.



New York, New York
December 11, 2024

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

**Consolidated and Combined Statements of Financial Position
May 31, 2024 and 2023**

	<u>Assets</u>	
	<u>2024</u>	<u>2023</u>
Current assets		
Cash	\$ 4,428,124	\$ 3,810,376
Accounts receivable	96,752	159,705
Investments	11,251,233	11,773,930
Prepaid expenses	323,937	316,927
	<u>16,100,046</u>	<u>16,060,938</u>
Total current assets		
Long-term assets		
Fixed assets - net	583,242	430,395
Security deposits	556,455	-
Operating right-of-use asset	-	694,198
	<u>1,139,697</u>	<u>1,124,593</u>
Total long-term assets		
Total assets	<u>\$ 17,239,743</u>	<u>\$ 17,185,531</u>
	<u>Liabilities and Net Assets</u>	
Current liabilities		
Accounts payable and accrued expenses	\$ 1,040,824	\$ 796,429
Deferred dues and unearned subscriptions and fees	3,702,752	3,655,808
Operating lease obligations	-	760,425
Finance lease obligations	1,273	7,495
	<u>4,744,849</u>	<u>5,220,157</u>
Total current liabilities		
Long-term liabilities		
Finance lease obligations	-	1,273
	<u>-</u>	<u>1,273</u>
Total long-term liabilities		
Total liabilities	<u>4,744,849</u>	<u>5,221,430</u>
Commitments		
Net assets		
Without donor restrictions	12,013,301	11,360,102
With donor restrictions	481,593	603,999
	<u>12,494,894</u>	<u>11,964,101</u>
Total net assets		
Total liabilities and net assets	<u>\$ 17,239,743</u>	<u>\$ 17,185,531</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, 2024 and 2023**

	2024			2023		
	Without donor restrictions	With donor restrictions	Total	Without donor restriction	With donor restrictions	Total
Revenues and other support						
Membership dues	\$ 7,301,512	\$ -	\$ 7,301,512	\$ 7,535,429	\$ -	\$ 7,535,429
Education fees	1,573,475	-	1,573,475	1,336,743	-	1,336,743
The CPA Journal	374,701	-	374,701	409,804	-	409,804
Member services	251,561	-	251,561	261,601	-	261,601
Chapter activities	187,727	-	187,727	215,307	-	215,307
The Trusted Professional Contributions	111,193	-	111,193	104,680	-	104,680
Contributions	10,000	121,058	131,058	-	138,224	138,224
Investment income, net	1,245,110	382,193	1,627,303	(31,323)	(18,832)	(50,155)
Other revenues	104,256	-	104,256	210,719	-	210,719
Net assets released from restrictions	625,657	(625,657)	-	525,974	(525,974)	-
Total revenues and other support	11,785,192	(122,406)	11,662,786	10,568,934	(406,582)	10,162,352
Expenses						
Program services						
Membership and member services	3,261,370	-	3,261,370	3,476,733	-	3,476,733
Education	2,110,171	-	2,110,171	1,993,817	-	1,993,817
The CPA Journal	1,029,440	-	1,029,440	988,985	-	988,985
Chapter activities	552,353	-	552,353	587,239	-	587,239
The Trusted Professional Career Opportunities in the Accounting Profession (COAP) and scholarship programs	370,687	-	370,687	334,398	-	334,398
Advocacy - CPA PAC	589,281	-	589,281	434,974	-	434,974
	37,500	-	37,500	91,000	-	91,000
Total program services	7,950,802	-	7,950,802	7,907,146	-	7,907,146
Supporting services						
General and administrative	3,181,191	-	3,181,191	3,222,889	-	3,222,889
Total supporting services	3,181,191	-	3,181,191	3,222,889	-	3,222,889
Total expenses	11,131,993	-	11,131,993	11,130,035	-	11,130,035
Changes in net assets	653,199	(122,406)	530,793	(561,101)	(406,582)	(967,683)
Net assets, beginning	11,360,102	603,999	11,964,101	11,921,203	1,010,581	12,931,784
Net assets, end	\$ 12,013,301	\$ 481,593	\$ 12,494,894	\$ 11,360,102	\$ 603,999	\$ 11,964,101

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, 2024**

	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	\$ 1,744,780	\$ 988,866	\$ 544,846	\$ 205,507	\$ 241,696	\$ 281,364	\$ -	\$ 4,007,059	\$ 2,028,052	\$ 6,035,111
Occupancy	329,293	99,647	102,827	38,785	45,615	46,634	-	662,801	341,191	1,003,992
Cost of sales	-	865,508	187,112	-	-	-	-	1,052,620	-	1,052,620
Professional fees	216,102	36,472	63,430	14,311	28,069	43,986	-	402,370	458,078	860,448
Meetings and events	18,313	-	-	231,439	-	8,638	-	258,390	-	258,390
Information technology	191,869	58,061	59,914	22,599	26,578	27,174	-	386,195	198,802	584,997
Contributions and awards	-	-	-	-	-	159,040	37,500	196,540	-	196,540
Depreciation and amortization	57,716	17,147	18,023	6,798	7,995	7,527	-	115,206	103,879	219,085
Other	703,297	44,470	53,288	32,914	20,734	14,918	-	869,621	51,189	920,810
Total expenses	\$ 3,261,370	\$ 2,110,171	\$ 1,029,440	\$ 552,353	\$ 370,687	\$ 589,281	\$ 37,500	\$ 7,950,802	\$ 3,181,191	\$ 11,131,993

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, 2023**

	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	\$ 1,769,041	\$ 931,865	\$ 485,587	\$ 208,340	\$ 206,991	\$ 193,569	\$ -	\$ 3,795,393	\$ 2,024,629	\$ 5,820,022
Occupancy	477,496	132,885	131,070	56,235	55,870	45,847	-	899,403	484,836	1,384,239
Cost of sales	-	777,035	187,953	-	-	-	-	964,988	-	964,988
Professional fees	184,772	41,290	65,477	17,473	24,976	14,245	-	348,233	336,678	684,911
Meetings and events	55,975	-	-	220,279	-	11,258	-	287,512	-	287,512
Information technology	186,635	51,940	51,230	21,980	21,838	17,919	-	351,542	189,504	541,046
Contributions and awards	-	-	-	-	-	127,050	91,000	218,050	-	218,050
Depreciation and amortization	84,434	23,498	23,177	9,944	9,879	9,284	-	160,216	123,361	283,577
Other	718,380	35,304	44,491	52,988	14,844	15,802	-	881,809	63,881	945,690
Total expenses	\$ 3,476,733	\$ 1,993,817	\$ 988,985	\$ 587,239	\$ 334,398	\$ 434,974	\$ 91,000	\$ 7,907,146	\$ 3,222,889	\$ 11,130,035

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, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
Operating activities		
Change in net assets	\$ 530,793	\$ (967,683)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	219,086	283,576
Bad debt expense (recovery)	(31,430)	7,716
Loss on disposal of fixed assets	-	34,138
Noncash operating lease costs	700,231	1,200,396
Realized and unrealized (gain) loss on investments	(1,354,756)	258,790
Changes in assets and liabilities		
Accounts receivable	94,383	(12,318)
Prepaid expenses	(7,010)	(31,668)
Security deposits	(556,455)	-
Accounts payable and accrued expenses	244,393	(211,852)
Deferred dues and unearned subscriptions and fees	46,944	550,374
Change in operating lease liability	(766,457)	(1,313,926)
Net cash used in operating activities	<u>(880,278)</u>	<u>(202,457)</u>
Investing activities		
Purchases of fixed assets	(371,933)	(61,834)
Proceeds from sales of investments	5,495,660	4,198,277
Purchases of investments	(3,618,206)	(6,446,910)
Net cash provided by (used in) investing activities	<u>1,505,521</u>	<u>(2,310,467)</u>
Financing activities		
Principal payments on loan	-	(57,103)
Principal payments on finance lease obligations	(7,495)	(16,034)
Net cash used in financing activities	<u>(7,495)</u>	<u>(73,137)</u>
Net increase (decrease) in cash and cash equivalents	617,748	(2,586,061)
Cash, beginning	<u>3,810,376</u>	<u>6,396,437</u>
Cash, end	<u>\$ 4,428,124</u>	<u>\$ 3,810,376</u>
Supplemental cash flow disclosures		
Cash paid during the year for interest	<u>\$ 174</u>	<u>\$ 1,003</u>
Noncash investing and financing activities		
Disposal of fully depreciated fixed assets	<u>\$ 3,287,489</u>	<u>\$ -</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, 2024 and 2023

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. 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. 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.

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 ("U.S. GAAP").

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

Notes to Consolidated and Combined Financial Statements May 31, 2024 and 2023

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 the 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 the 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 \$481,593 and \$603,999 as of May 31, 2024 and 2023, respectively.

Use of estimates

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

Management has analyzed the tax positions taken by the Organization and has concluded that, as of May 31, 2024 and 2023, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the consolidated and combined financial statements. The Organization's federal and state income tax returns prior to fiscal year 2021 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 and cash equivalents. 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, 2024 and 2023. 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, 2024 and 2023

Accounts receivable

Accounts receivable are reported at their outstanding unpaid principal balances, reduced by an allowance for credit losses. The Organization estimates allowance for credit losses based on historical bad debts, factors related to specific members' and customers' ability to pay and current and reasonably estimable future 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, 2024 and 2023.

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, 2024 and 2023.

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, 2024 and 2023

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. Finance 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.

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 2024 and 2023, 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. Deferred dues and unearned subscriptions and fees amounted to \$3,546,099 and \$3,060,899 as of June 1, 2023 and 2022, respectively, and were earned as revenue during the years ended May 31, 2024 and 2023, respectively. Deferred dues and unearned subscriptions and fees collected as of May 31, 2024 and expected to be earned subsequently during the membership period amounted to \$3,635,710.

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. Education fees collected as of June 1, 2023 and 2022 amounted to \$101,066 and \$36,598, respectively, and were earned as revenue during the years ended May 31, 2024 and 2023, respectively. Education fees collected as of May 31, 2024 amounted to \$58,357 and are expected to be earned subsequently as the courses occur.

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.

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

Notes to Consolidated and Combined Financial Statements May 31, 2024 and 2023

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. Chapter fees collected as of June 1, 2023 and 2022 amounted to \$8,643 and \$7,937, respectively, and were earned as revenue during the years ended May 31, 2024 and 2023, respectively. Chapter fees collected as of May 31, 2024 amounted to \$8,685 and are expected to be earned subsequently as the events and meetings occur.

Advertising costs

Costs of promotion and advertising are expensed as incurred. For the fiscal years ended May 31, 2024 and 2023, advertising expense amounted to \$9,483 and \$10,607, 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 statements 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.

New accounting pronouncement

On January 1, 2023, the Organization adopted Accounting Standards Update ("ASU") No. 2016-13, *Measurement of Credit Losses on Financial Instruments*, and its related amendments. The new standard changes the impairment model for most financial assets that are measured at amortized cost and certain other instruments, including trade receivables, from an incurred loss model to a current expected loss ("CECL") model and adds certain new required disclosures. Under the CECL model, entities recognize credit losses to be incurred over the entire contractual term of the instrument rather than delaying recognition of credit losses until it is probable the loss has been incurred. In accordance with the ASU, the Organization evaluates certain criteria, including aging and historical write-offs, current economic condition of specific customers and future economic conditions to determine the appropriate allowance for credit losses. As a result of the adoption of the ASU, the Organization evaluated whether a cumulative adjustment to its June 1, 2023 net assets and concluded that the adjustment would be immaterial.

Subsequent events

Management has evaluated subsequent events through December 11, 2024, 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, 2024 and 2023**

Note 3 - Investments

The following table sets forth, within the fair value hierarchy (see Note 2), the investments, at fair value at May 31, 2024 and 2023:

	2024			2023		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Cash	\$ 497,323	\$ -	\$ 497,323	\$ 2,414,508	\$ -	\$ 2,414,508
Certificates of deposit	-	39,952	39,952	-	39,952	39,952
Equity securities	5,198,399	-	5,198,399	4,688,024	-	4,688,024
Fixed income securities	2,385,412	-	2,385,412	1,993,331	-	1,993,331
Mutual funds						
Fixed income	508,823	-	508,823	907,568	-	907,568
Equity	2,621,324	-	2,621,324	1,730,547	-	1,730,547
	<u>\$ 11,211,281</u>	<u>\$ 39,952</u>	<u>\$ 11,251,233</u>	<u>\$ 11,733,978</u>	<u>\$ 39,952</u>	<u>\$ 11,773,930</u>

Note 4 - Fixed assets

Fixed assets consist of the following:

	May 31,	
	2024	2023
Furniture and equipment (1)	\$ 352,985	\$ 1,962,416
Data processing system	3,034,473	3,479,730
Leasehold improvements	136,838	995,208
	<u>3,524,296</u>	<u>6,437,354</u>
Less accumulated depreciation and amortization	<u>(2,941,054)</u>	<u>(6,006,959)</u>
	<u>\$ 583,242</u>	<u>\$ 430,395</u>

(1) Includes finance right-of-use assets for equipment of \$97,775 and \$162,470 as of May 31, 2024 and 2023, respectively, with an accumulated amortization of \$96,496 and \$154,008 at May 31, 2024 and 2023, respectively. See Note 8 regarding the Organization's leases.

During the year ended May 31, 2023, the Organization disposed of assets in the amount of \$34,138. This loss is included in other expenses in the consolidated and combined statement of functional expenses.

Note 5 - 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 is offered until the cancellation by either the Organization or the bank. The line of credit has a variable interest rate of 3.25% as of May 31, 2024 and 2023. There were no drawdowns against this line of credit, and therefore no amounts outstanding, as of May 31, 2024 and 2023.

The working capital line of credit is collateralized with a first position security interest on the assets of the Society and Foundation, excluding net assets with donor restrictions. The term loan was paid during the year ended May 31, 2023 and was subject to certain conditions and covenants.

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

**Notes to Consolidated and Combined Financial Statements
May 31, 2024 and 2023**

Interest expense related to the term loan payable totaled \$0 and \$470 in 2024 and 2023, respectively.

Note 6 - Net assets with donor restrictions

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

	<u>2024</u>	<u>2023</u>
The Moynihan Fund	\$ 75,253	\$ 213,276
Member financial assistance	81,607	81,607
CPA PAC	243,037	227,420
Lecture series	<u>13,446</u>	<u>13,446</u>
	<u>\$ 413,343</u>	<u>\$ 535,749</u>

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>2024</u>	<u>2023</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>2024</u>	<u>2023</u>
The Moynihan Fund	\$ 589,281	\$ 434,974
CPA PAC	<u>36,376</u>	<u>91,000</u>
	<u>\$ 625,657</u>	<u>\$ 525,974</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 \$159,000 and \$127,000 in fiscal years ended May 31, 2024 and 2023, respectively.

Note 7 - 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

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

Notes to Consolidated and Combined Financial Statements May 31, 2024 and 2023

Organization to this plan totaled \$249,369 and \$251,759 for the fiscal years ended May 31, 2024 and 2023, respectively.

Note 8 - Leases

The Organization leases building space and office equipment used in its operations. All contracts that implicitly or explicitly involve property and equipment are evaluated to determine whether they are or contain a lease.

At lease commencement, the Organization recognizes a lease obligation, which is measured at the present value of future lease payments, and a corresponding right-of-use asset equal to the lease obligation, adjusted for prepaid lease costs, initial direct costs, and lease incentives. The Organization has elected and applies the practical expedient available to lessees to combine nonlease components with their related lease components and account for them as a single combined lease component for all its leases. The Organization remeasures lease obligations and right-of-use assets whenever there is a change to the lease term and/or there is a change in the amount of future lease payments, but only when such modification does not qualify to be accounted for as a separate contract.

The Organization determines an appropriate discount rate to apply when determining the present value of the remaining lease payments for purposes of measuring or remeasuring lease liabilities. As the rate implicit in the lease is generally not readily determinable with respect to its office lease, the Organization elected to use a risk-free rate instead of its incremental borrowing rate as the discount rate. The Organization's risk-free rate, which is determined at either lease commencement or when a lease obligation is remeasured, is the rate on U.S. government securities over a period commensurate with the lease term. The Organization used the rates implicit in the leases with respect to its equipment leases.

For accounting purposes, the Organization's leases commence on the earlier of (i) the date upon which the Organization obtains control of the underlying asset and (ii) the contractual effective date of a lease. Lease commencement for most of the Organization's leases coincides with the contractual effective date. The Organization's leases generally have minimum base terms with renewal options or fixed terms with early termination options. Such renewal and early termination options are exercisable at the option of the Organization and, when exercised, usually provide for rental payments during the extension period at then current market rates or at pre-determined rental amounts.

Unless the Organization determines that it is reasonably certain that the term of a lease will be extended, such as through the exercise of a renewal option or nonexercise of an early termination option, the term of a lease begins at lease commencement and spans for the duration of the minimum noncancellable contractual term. When the exercise of a renewal option or nonexercise of an early termination option is reasonably certain, the lease term is measured as ending at the end of the renewal period or on the date an early termination may be exercised.

The Organization includes variable rental payments based on a rate or an index such as the Consumer Price Index ("CPI") in its measurement of lease payments based on the rate or index in effect at lease commencement. Other types of variable lease payments are expensed as incurred.

Leases involving real estate

The Organization occupied office space under a 10.5-year lease agreement that expired in January 2024, which was incorporated into its measurement of the related right-of-use asset and lease obligation as of May 31, 2023. The office lease required reimbursement of real estate taxes and other charges.

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**Notes to Consolidated and Combined Financial Statements
May 31, 2024 and 2023**

Rental payments on this lease provided for fixed minimum payments that increased over the lease term at predetermined amounts. Variable rental payments for taxes and other charges were recognized as occupancy expenses when incurred. Office space rental expense (including charges for operating expenses and taxes) was recognized using the straight-line method over the term of the lease and amounted to \$973,606 and \$1,336,664 for the fiscal years ended May 31, 2024 and 2023, respectively. Pursuant to the lease, the Organization had a letter of credit agreement totaling approximately \$300,000. This agreement guaranteed the lease rental obligations. There were no payments drawn against this letter of credit by the beneficiary during 2024 and 2023.

Leases involving equipment

Equipment leases have lease terms that generally range from less than one year to five years and generally do not have renewal options. Rental payments on these leases typically provide for fixed payments that increase over the lease term at predetermined amounts, are included in the measurement of lease payments, and are therefore included in the measurement of lease liabilities. Certain of the Organization's leases involving equipment have purchase options. When those options are reasonably certain of being exercised, the Organization reflects such purchase options when measuring the lease term and lease payments for those leases.

Financial information

The following provides information about the Organization's right-of-use assets and lease obligations for its operating and finance leases as of May 31, 2024 and 2023:

		<u>Statement of Financial Position Classification</u>	
		<u>May 31, 2024</u>	<u>May 31, 2023</u>
Right-of-use assets			
Finance leases	Fixed assets - net	\$ 1,279	\$ 8,462
Operating leases	Operating right-of-use asset	-	694,198
		<u>\$ 1,279</u>	<u>\$ 702,660</u>
Lease obligations			
<i>Current</i>			
Finance leases	Current portion of finance lease obligations	\$ 1,273	\$ 7,495
Operating leases	Current portion of operating lease obligation	-	760,425
<i>Noncurrent</i>			
Finance leases	Noncurrent portion of finance lease obligations	-	1,273
		<u>\$ 1,273</u>	<u>\$ 769,193</u>
Total lease obligations			

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

**Notes to Consolidated and Combined Financial Statements
May 31, 2024 and 2023**

The components of the Organization's lease costs for its office space and equipment for the years ended May 31, 2024 and 2023 are as follows:

		<u>Statement of Functional Expense Classification</u>	
		<u>May 31, 2024</u>	<u>May 31, 2023</u>
Operating lease cost, net			
Rent expense	Occupancy	\$ 856,459	\$ 1,200,395
Variable costs	Occupancy	<u>117,147</u>	<u>136,269</u>
Net operating lease cost		<u>973,606</u>	<u>1,336,664</u>
Finance lease cost			
Amortization expense	Depreciation and amortization	7,474	16,089
Interest expense (1)	Other	<u>194</u>	<u>533</u>
Total finance lease cost		<u>7,668</u>	<u>16,622</u>
Total lease cost, net		<u>\$ 981,274</u>	<u>\$ 1,353,286</u>

(1) Interest on the Organization's finance lease obligations is recognized on a level yield basis over the period preceding purchase options, if any, which is generally five years from lease commencement.

The weighted average remaining lease term and weighted average discount rate for the Organization's leases as of May 31, 2024 and 2023 are as follows:

	<u>2024</u>	<u>2023</u>
Weighted average remaining term (in years)		
Operating lease	-	0.60
Finance leases	0.25	1.25
Weighted average discount rate (1)		
Operating lease	-	2.38%
Finance leases	3.25%	3.25%

(1) The Organization has elected to use the rate implicit in the lease and risk-free rate as the discount rate for its leases involving equipment and office space, respectively. The Organization uses rates on U.S. government securities for periods comparable with lease terms as the risk-free rate.

For the years ended May 31, 2024 and 2023, the Organization's finance lease obligations have effective interest rates ranging from 3.25% to 4.25% and expire at various dates through August 2024.

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

**Notes to Consolidated and Combined Financial Statements
May 31, 2024 and 2023**

The annual maturity analysis of the Organization's lease obligations as of May 31, 2024 are as follows:

Year ending May 31,	Finance
2025	\$ 1,278
Total lease payments	1,278
Less interest	<u>(5)</u>
Present value of net minimum lease payments	1,273
Less current portion	<u>1,273</u>
Noncurrent portion of lease obligations	<u><u>\$ -</u></u>

Subsequent to May 31, 2023, the Society entered into a lease agreement dated September 12, 2023, for new office space at 200 Madison Avenue, New York, New York, replacing the current office lease that expired January 31, 2024. The lease commencement date was August 16, 2024, subsequent to year end; however, the landlord at 200 Madison leased the Society temporary space commencing February 1, 2024, and continuing until the leased premises was ready for occupancy. This temporary space was at the fixed rate of \$10,575 per month.

The lease proper shall be for a term of 11 years and 3 months, consisting of a period of free fixed rent and 2 rental periods (the 1st and 2nd rental periods).

Fixed rent for the two rental periods is as follows:

- i. \$1,110,932 per annum for the period beginning on the Commencement Date and ending on the day immediately preceding the fifth anniversary of the Commencement Date (the "1st Rental Period"), payable in advance in equal monthly installments of approximately \$92,600.
- ii. \$1,220,204 per annum for the period beginning on the fifth anniversary of the Commencement Date and ending on the Expiration Date (the "2nd Rental Period"), payable in advance in equal monthly installments of approximately \$101,700.

In addition to the fixed rent, the Society is expected to pay additional rent for its proportionate share of real estate taxes and operating expenses.

The Society deposited with the landlord a standby letter of credit in the amount of \$462,888 as a security deposit. On the third anniversary of the rent commencement date of the lease, the Society shall be permitted to reduce the security amount to \$370,311 if certain conditions have been satisfied, in which case the Society will deliver to the landlord an amended or replacement letter of credit for the reduced amount.

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

Notes to Consolidated and Combined Financial Statements
May 31, 2024 and 2023

Note 9 - Availability and liquidity

The following represents the Organization's financial assets at May 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Financial assets, at year end		
Cash	\$ 4,428,124	\$ 3,810,376
Accounts receivable	96,752	159,705
Investments	<u>11,251,233</u>	<u>11,773,930</u>
Total financial assets	15,776,109	15,744,011
Less amounts not available to be used within one year		
Net assets with donor restrictions	<u>481,593</u>	<u>603,999</u>
Financial assets available to meet general expenditures over the next 12 months	<u>\$ 15,294,516</u>	<u>\$ 15,140,012</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.

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, 2024

	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	\$ 7,301,512	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,301,512
Education fees	-	1,573,475	-	1,573,475	-	-	-	-	-	-	-	-	-	1,573,475
The CPA Journal	374,701	-	-	-	-	-	-	-	-	-	-	-	-	374,701
Member services	251,561	-	-	-	-	-	-	-	-	-	-	-	-	251,561
Chapter activities	187,727	-	-	-	-	-	-	-	-	-	-	-	-	187,727
The Trusted Professional	111,193	-	-	-	-	-	-	-	-	-	-	-	-	111,193
Contributions	10,000	1,272,965	-	1,272,965	-	51,993	51,993	455,659	69,065	524,724	(1,728,624)	-	131,058	
Investment income, net	1,232,116	12,994	-	12,994	-	-	-	-	382,193	382,193	-	-	1,627,303	
Other revenues	103,132	-	-	-	1,124	-	1,124	-	-	-	-	-	104,256	
Net assets released from restrictions	-	-	-	-	36,376	(36,376)	-	589,281	(589,281)	-	-	-	-	
Total revenues and other support	9,571,942	2,859,434	-	2,859,434	37,500	15,617	53,117	1,044,940	(138,023)	906,917	(1,728,624)	-	11,662,786	
Expenses														
Program services														
Membership and member services	4,989,994	-	-	-	-	-	-	-	-	-	(1,728,624)	-	3,261,370	
Education	-	2,110,171	-	2,110,171	-	-	-	-	-	-	-	-	2,110,171	
The CPA Journal	1,029,440	-	-	-	-	-	-	-	-	-	-	-	1,029,440	
Chapter activities	552,353	-	-	-	-	-	-	-	-	-	-	-	552,353	
The Trusted Professional	370,687	-	-	-	-	-	-	-	-	-	-	-	370,687	
Career Opportunities in the Accounting Profession (COAP) and scholarship programs	-	-	-	-	-	-	-	589,281	-	589,281	-	-	589,281	
Advocacy - CPA PAC	-	-	-	-	37,500	-	37,500	-	-	-	-	-	37,500	
Total program services	6,942,474	2,110,171	-	2,110,171	37,500	-	37,500	589,281	-	589,281	(1,728,624)	-	7,950,802	
Supporting services														
General and administrative	2,335,798	749,263	-	749,263	31,159	-	31,159	64,971	-	64,971	-	-	3,181,191	
Fund raising	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total supporting services	2,335,798	749,263	-	749,263	31,159	-	31,159	64,971	-	64,971	-	-	3,181,191	
Total expenses	9,278,272	2,859,434	-	2,859,434	68,659	-	68,659	654,252	-	654,252	(1,728,624)	-	11,131,993	
Changes in net assets	293,670	-	-	-	(31,159)	15,617	(15,542)	390,688	(138,023)	252,665	-	-	530,793	
Net assets, beginning	10,759,751	(1,207,862)	81,607	(1,126,255)	(31,577)	227,420	195,843	1,839,790	294,972	2,134,762	-	-	11,964,101	
Net assets, end	\$ 11,053,421	\$ (1,207,862)	\$ 81,607	\$ (1,126,255)	\$ (62,736)	\$ 243,037	\$ 180,301	\$ 2,230,478	\$ 156,949	\$ 2,387,427	\$ -	\$ -	\$ 12,494,894	

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, 2023

	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	\$ 7,535,429	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,535,429	
Education fees	-	1,336,743	-	1,336,743	-	-	-	-	-	-	-	-	1,336,743	
The CPA Journal	409,804	-	-	-	-	-	-	-	-	-	-	-	409,804	
Member services	261,601	-	-	-	-	-	-	-	-	-	-	-	261,601	
Chapter activities	215,307	-	-	-	-	-	-	-	-	-	-	-	215,307	
The Trusted Professional	104,680	-	-	-	-	-	-	-	-	-	-	-	104,680	
Contributions	-	1,361,206	-	1,361,206	-	57,134	57,134	260,966	81,090	342,056	(1,622,172)	-	138,224	
Investment income, net	(29,656)	(1,667)	-	(1,667)	-	-	-	-	(18,832)	(18,832)	-	-	(50,155)	
Other revenues	210,719	-	-	-	-	-	-	-	-	-	-	-	210,719	
Net assets released from restrictions	-	-	-	-	91,000	(91,000)	-	434,974	(434,974)	-	-	-	-	
Total revenues and other support	8,707,884	2,696,282	-	2,696,282	91,000	(33,866)	57,134	695,940	(372,716)	323,224	(1,622,172)	-	10,162,352	
Expenses														
Program services														
Membership and member services	5,098,905	-	-	-	-	-	-	-	-	-	(1,622,172)	-	3,476,733	
Education	-	1,993,817	-	1,993,817	-	-	-	-	-	-	-	-	1,993,817	
The CPA Journal	988,985	-	-	-	-	-	-	-	-	-	-	-	988,985	
Chapter activities	587,239	-	-	-	-	-	-	-	-	-	-	-	587,239	
The Trusted Professional	334,398	-	-	-	-	-	-	-	-	-	-	-	334,398	
Career Opportunities in the Accounting Profession (COAP) and scholarship programs	-	-	-	-	-	-	-	434,974	-	434,974	-	-	434,974	
Advocacy - CPA PAC	-	-	-	-	91,000	-	91,000	-	-	-	-	-	91,000	
Total program services	7,009,527	1,993,817	-	1,993,817	91,000	-	91,000	434,974	-	434,974	(1,622,172)	-	7,907,146	
Supporting services														
General and administrative	2,426,502	702,465	-	702,465	35,889	-	35,889	58,033	-	58,033	-	-	3,222,889	
Fund raising	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total supporting services	2,426,502	702,465	-	702,465	35,889	-	35,889	58,033	-	58,033	-	-	3,222,889	
Total expenses	9,436,029	2,696,282	-	2,696,282	126,889	-	126,889	493,007	-	493,007	(1,622,172)	-	11,130,035	
Changes in net assets	(728,145)	-	-	-	(35,889)	(33,866)	(69,755)	202,933	(372,716)	(169,783)	-	-	(967,683)	
Net assets, beginning	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	
Net assets, end	\$ 10,759,751	\$ (1,207,862)	\$ 81,607	\$ (1,126,255)	\$ (31,577)	\$ 227,420	\$ 195,843	\$ 1,839,790	\$ 294,972	\$ 2,134,762	\$ -	\$ -	\$ 11,964,101	

See Independent Auditor's Report.



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