

**THE NEW YORK STATE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS
AND RELATED ENTITIES**

**COMBINED FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

YEARS ENDED MAY 31, 2013 AND 2012

AND

INDEPENDENT AUDITORS' REPORT



FRIEDMAN LLP
ACCOUNTANTS AND ADVISORS

**THE NEW YORK STATE SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS
AND RELATED ENTITIES**

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying combined financial statements of The New York State Society of Certified Public Accountants and Related Entities (the "Organization") which comprise the statements of financial position as of May 31, 2013 and 2012, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

(Continued)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of May 31, 2013 and 2012, 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.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The combining supplementary information on pages 16 and 17 is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

A handwritten signature in black ink that reads "Freedman LLP". The signature is written in a cursive, flowing style.

September 27, 2013

**THE NEW YORK STATE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS
AND RELATED ENTITIES**

COMBINED STATEMENTS OF FINANCIAL POSITION

	May 31,	
	2013	2012
ASSETS		
Current assets		
Cash and cash equivalents	\$ 5,880,960	\$ 5,422,768
Accounts receivable	210,725	157,937
Investments	4,210,564	3,421,885
Prepaid expenses	327,996	133,507
Total current assets	10,630,245	9,136,097
Long-term assets		
Deposits on fixed assets	755,295	-
Fixed assets - net	1,481,961	2,020,081
Total long-term assets	2,237,256	2,020,081
Total assets	\$ 12,867,501	\$ 11,156,178
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 906,674	\$ 662,054
Deferred dues and unearned subscriptions and fees	4,231,592	5,410,184
Deferred rent	29,553	118,214
Grant payable	-	10,000
Loan payable	127,163	49,636
Capital lease obligations	118,772	130,870
Total current liabilities	5,413,754	6,380,958
Long-term liabilities		
Deferred rent	-	29,553
Loan payable	803,538	113,701
Capital lease obligations	211,032	278,764
Total long-term liabilities	1,014,570	422,018
Total liabilities	6,428,324	6,802,976
Commitments		
Net assets		
Unrestricted	4,465,089	2,545,945
Temporarily restricted	1,917,788	1,752,557
Permanently restricted	56,300	54,700
Total net assets	6,439,177	4,353,202
Total liabilities and net assets	\$ 12,867,501	\$ 11,156,178

See notes to combined financial statements.

**THE NEW YORK STATE SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS
AND RELATED ENTITIES**

COMBINED STATEMENTS OF ACTIVITIES

	Year Ended May 31,							
	2013				2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and other support								
Membership dues	\$ 7,604,619	\$ -	\$ -	\$ 7,604,619	\$ 7,268,158	\$ -	\$ -	\$ 7,268,158
Education fees	3,096,414	-	-	3,096,414	4,050,019	-	-	4,050,019
The CPA Journal	1,082,963	-	-	1,082,963	1,163,875	-	-	1,163,875
Member services	919,961	-	-	919,961	933,101	-	-	933,101
Chapter activities	725,704	-	-	725,704	703,711	-	-	703,711
The Trusted Professional	376,651	-	-	376,651	366,337	-	-	366,337
Contributions	145,000	96,098	1,600	242,698	-	145,153	600	145,753
Special events	-	85,050	-	85,050	-	81,681	-	81,681
Investment income (loss)	(9,018)	306,751	-	297,733	3,943	(129,219)	-	(125,276)
Other revenues	102,732	-	-	102,732	74,773	-	-	74,773
Net assets released from restrictions	322,668	(322,668)	-	-	312,722	(312,722)	-	-
Total revenues and other support	14,367,694	165,231	1,600	14,534,525	14,876,639	(215,107)	600	14,662,132
Expenses								
Program services								
Membership	480,562	-	-	480,562	537,066	-	-	537,066
Education	3,481,473	-	-	3,481,473	4,144,342	-	-	4,144,342
The CPA Journal	905,516	-	-	905,516	972,124	-	-	972,124
Member services	2,195,296	-	-	2,195,296	2,213,362	-	-	2,213,362
Chapter activities	990,933	-	-	990,933	1,040,683	-	-	1,040,683
The Trusted Professional	480,083	-	-	480,083	461,345	-	-	461,345
Career Opportunities in the Accounting Profession (COAP) Program	268,234	-	-	268,234	249,893	-	-	249,893
Scholarship Program	171,135	-	-	171,135	133,993	-	-	133,993
Advocacy - CPA PAC	22,394	-	-	22,394	25,148	-	-	25,148
Total program services	8,995,626	-	-	8,995,626	9,777,956	-	-	9,777,956
Supporting services								
General and administrative	3,395,498	-	-	3,395,498	3,500,526	-	-	3,500,526
Fund raising	57,426	-	-	57,426	40,126	-	-	40,126
Total supporting services	3,452,924	-	-	3,452,924	3,540,652	-	-	3,540,652
Total expenses	12,448,550	-	-	12,448,550	13,318,608	-	-	13,318,608
Change in net assets	1,919,144	165,231	1,600	2,085,975	1,558,031	(215,107)	600	1,343,524
Net assets, beginning of year	2,545,945	1,752,557	54,700	4,353,202	987,914	1,967,664	54,100	3,009,678
Net assets, end of year	\$ 4,465,089	\$ 1,917,788	\$ 56,300	\$ 6,439,177	\$ 2,545,945	\$ 1,752,557	\$ 54,700	\$ 4,353,202

See notes to combined financial statements.

**THE NEW YORK STATE SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS
AND RELATED ENTITIES**

COMBINED STATEMENTS OF CASH FLOWS

	Year Ended May 31,	
	2013	2012
Cash flows from operating activities		
Change in net assets	\$ 2,085,975	\$ 1,343,524
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	736,973	837,190
Allowance for doubtful accounts	-	(15,412)
Permanently restricted contributions	(1,600)	(600)
Realized and unrealized loss (gain) on investments	(248,907)	159,585
Changes in assets and liabilities		
Accounts receivable	(52,788)	(5,115)
Prepaid expenses	(194,489)	40,217
Accounts payable and accrued expenses	244,620	(652,435)
Deferred dues and unearned subscriptions and fees	(1,178,592)	(174,100)
Deferred rent	(118,214)	(118,214)
Grant payable	(10,000)	(10,000)
Net cash provided by operating activities	1,262,978	1,404,640
Cash flows from investing activities		
Deposits on fixed assets	(755,295)	-
Purchases of fixed assets	(140,581)	(64,909)
Proceeds from sales of investments	400,868	2,253,622
Purchases of investments	(940,640)	(2,288,194)
Net cash used in investing activities	(1,435,648)	(99,481)
Cash flows from financing activities		
Proceeds from loan	817,000	-
Principal payments on loan	(49,636)	(47,809)
Principal payments on capital lease obligations	(138,102)	(143,311)
Permanently restricted contributions	1,600	600
Net cash provided by (used in) financing activities	630,862	(190,520)
Net increase in cash and cash equivalents	458,192	1,114,639
Cash and cash equivalents, beginning of year	5,422,768	4,308,129
Cash and cash equivalents, end of year	\$ 5,880,960	\$ 5,422,768
Supplemental cash flow disclosures		
Cash paid during the year for interest	\$ 19,169	\$ 20,601
Noncash investing and financing activities		
Purchase of equipment through capital lease obligations	\$ 58,272	\$ 325,248

See notes to combined financial statements.

**THE NEW YORK STATE SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS
AND RELATED ENTITIES**

NOTES TO COMBINED FINANCIAL STATEMENTS

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 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. (“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.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Combination

The accompanying combined financial statements include the financial position, operating activities and cash flows of the Society, the Foundation, and the CPA PAC (collectively, the “Organization”). All significant intercompany accounts and transactions have been eliminated. 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, and the CPA PAC based upon services rendered by common personnel and usage of common facilities.

Basis of Accounting

The accompanying 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 COMBINED FINANCIAL STATEMENTS

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

The Organization's net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions into the following three categories:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by action of the Organization and/or the passage of time. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that must be maintained permanently by the Organization. Generally, the donors of these assets would permit the Organization to use all or part of the income earned on any related investments for general or specific purposes.

Use of Estimates

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

Tax Status

The Society is exempt from Federal taxes under section 501(c)(6) of the U.S. Internal Revenue Code (the "Code") and from state and local taxes under comparable laws. The Foundation is 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.

The Organization's tax filings for years prior to fiscal 2010 are no longer subject to examination by tax authorities.

Concentrations of Credit Risk for Cash

Cash balances in banks are insured by the Federal Deposit Insurance Corporation subject to certain limitations.

**THE NEW YORK STATE SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS
AND RELATED ENTITIES**

NOTES TO COMBINED FINANCIAL STATEMENTS

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

For financial statement purposes, the Organization considers all highly liquid investments with a maturity of three months or less to be cash equivalents. Cash and cash equivalents held as part of the Organization's investments are deemed to be held for long-term purposes.

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, 2013 and 2012.

Investment Valuation

GAAP establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value and requires certain disclosures. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Under GAAP, the three levels of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Unobservable inputs that reflect management's own assumptions.

**THE NEW YORK STATE SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS
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NOTES TO COMBINED FINANCIAL STATEMENTS

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment Valuation (Continued)

The following is a description of the valuation methodologies used for assets measured at fair value. As of May 31, 2013 and 2012, the Organization invested only in investments that are designated as Level 1 (see Note 3). There have been no changes in the methodologies used at May 31, 2013 and 2012.

Cash Equivalents, Fixed Income Securities and United States (U.S.) Equity Securities

Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual Funds

Valued at the net asset value of shares held at year-end.

Fixed Assets

Fixed assets 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 temporarily restricted or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. Conditional promises to give are not included in support until the conditions are substantially met.

**THE NEW YORK STATE SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS
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NOTES TO COMBINED FINANCIAL STATEMENTS

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Dues and Unearned Subscriptions and Fees

The Society receives dues from its members. Dues received for the current year's membership are recognized as revenue in the current year. The revenue arising from dues received for a future year's membership is 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 fiscal years 2013 and 2012, the Organization allocated \$30 and \$15 from each member's dues to *The CPA Journal* and *The Trusted Professional*, representing the value of each publication, respectively.

Advertising Costs

Costs of promotion and advertising are expensed as incurred. For the fiscal years ended May 31, 2013 and 2012, advertising expense amounted to \$114,659 and \$135,555, respectively.

Functional Expenses

Expenses are classified according to the categories for which they were incurred and are summarized on a functional basis in the accompanying combined statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Subsequent Events

These combined financial statements were approved by management and available for issuance on September 27, 2013. Management has evaluated subsequent events through this date.

**THE NEW YORK STATE SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS
AND RELATED ENTITIES**

NOTES TO COMBINED FINANCIAL STATEMENTS

3 - INVESTMENTS

The following table sets forth, within the fair value hierarchy, the investments, all of which are Level 1 (see Note 2), at fair value:

	May 31,	
	2013	2012
Cash and cash equivalents	\$ 205,190	\$ 215,213
U.S. equity securities	1,561,038	1,299,981
Fixed income securities	599,552	574,802
Mutual funds		
Government short duration	1,789,103	1,283,775
Fixed income	15,034	-
Equity	40,647	48,114
	<u>\$ 4,210,564</u>	<u>\$ 3,421,885</u>

The following schedule summarizes the Organization's investment return for each fiscal year:

	Year Ended May 31,					
	2013			2012		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Interest and dividend income	\$ 8,850	\$ 65,571	\$ 74,421	\$ 8,935	\$ 42,803	\$ 51,738
Net realized gains (losses)	3,312	(8,579)	(5,267)	9,419	3,290	12,709
Net unrealized gains (losses)	(17,650)	271,825	254,175	(11,299)	(160,995)	(172,294)
Investment fees	(3,530)	(22,066)	(25,596)	(3,112)	(14,317)	(17,429)
Total investment return	<u>\$ (9,018)</u>	<u>\$ 306,751</u>	<u>\$ 297,733</u>	<u>\$ 3,943</u>	<u>\$(129,219)</u>	<u>\$(125,276)</u>

**THE NEW YORK STATE SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS
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NOTES TO COMBINED FINANCIAL STATEMENTS

4 - FIXED ASSETS

Fixed assets consist of the following:

	May 31,	
	2013	2012
Furniture and equipment	\$ 993,530	\$ 935,257
Data processing system	2,836,738	2,761,792
Leasehold improvements	1,806,054	1,740,420
	5,636,322	5,437,469
Less - Accumulated depreciation and amortization	(4,154,361)	(3,417,388)
	<u>\$ 1,481,961</u>	<u>\$ 2,020,081</u>

5 - CAPITAL LEASE OBLIGATIONS

The Organization has entered into several capital equipment leases expiring at various dates through February 2017, with interest ranging from 3.25% through 5.00%. The costs of the equipment were \$636,451 with an accumulated amortization of \$310,262 at May 31, 2013. Interest expense in 2013 and 2012 totaled \$12,452 and \$13,531, respectively.

The future lease payments are as follows:

Year Ending May 31,	
2014	\$ 127,652
2015	123,420
2016	80,939
2017	13,482
	345,493
Less - Amount representing interest	(15,689)
Present value of net minimum lease payments	329,804
Less - Current portion	(118,772)
	<u>\$ 211,032</u>

**THE NEW YORK STATE SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS
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NOTES TO COMBINED FINANCIAL STATEMENTS

6 - LOAN PAYABLE

In fiscal year 2010, the Society and Foundation, as co-borrowers, obtained a \$500,000 working capital line of credit facility with interest payable at the prime rate and a \$250,000 five-year, fixed-rate term loan at 3.67% with a bank, expiring in July 2015. The credit facilities are collateralized with a first position security interest in the assets of the Society and Foundation, excluding temporarily and permanently restricted assets.

In fiscal year 2013, the Society and Foundation, as co-borrowers, obtained a term loan from a bank with a borrowing limit of \$2,000,000, for the purpose of financing the Organization's office relocation expenses. The term loan is available in one or multiple advances until August 21, 2013 (the "Credit Period") and has a maturity of 108 equal monthly installments of principal and interest that starts after August 21, 2013, the last day of the Credit Period. The term loan bears interest during the Credit Period at the greater of the bank's prime rate or the minimum interest rate as defined. The term loan is collateralized with a first position security interest on the assets of the Society and Foundation excluding temporarily and permanently restricted assets. Following the expiration of the Credit Period, the term loan will bear interest at an annual fixed rate that equals the cost of funds plus a margin of 2.5%. As of May 31, 2013, the term loan has an outstanding principal balance of \$817,000. As of August 21, 2013, such balance, at a fixed interest rate of 4.81%, amounted to \$1,668,108.

There are no amounts outstanding under the working capital line of credit facility at May 31, 2013. The required principal payments on both loans are as follows:

Year Ending May 31,	
2014	\$ 127,163
2015	152,501
2016	107,757
2017	99,036
2018	99,036
Thereafter	345,208
	<hr/> \$ 930,701 <hr/>

Interest expense in 2013 and 2012 was \$ 6,717 and \$7,070, respectively.

**THE NEW YORK STATE SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS
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NOTES TO COMBINED FINANCIAL STATEMENTS

**7 - TEMPORARILY RESTRICTED AND PERMANENTLY RESTRICTED
NET ASSETS**

Temporarily restricted net assets at each fiscal year-end were available for the following activities:

	May 31,	
	2013	2012
Undergraduate scholarships	\$ 1,712,957	\$ 1,531,269
Member financial assistance	84,565	91,510
CPA PAC	112,089	124,085
Lecture series	8,177	5,693
	<u>\$ 1,917,788</u>	<u>\$ 1,752,557</u>

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

	Year Ended May 31,	
	2013	2012
Career opportunities in the accounting profession	\$ 116,226	\$ 140,044
Undergraduate scholarships	171,160	133,993
Member financial assistance	6,945	8,490
CPA PAC	28,337	30,195
	<u>\$ 322,668</u>	<u>\$ 312,722</u>

Permanently restricted net assets 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:

	May 31,	
	2013	2012
Lecture series	\$ 15,000	\$ 15,000
Undergraduate scholarships	41,300	39,700
	<u>\$ 56,300</u>	<u>\$ 54,700</u>

**THE NEW YORK STATE SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS
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NOTES TO COMBINED FINANCIAL STATEMENTS

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 Internal Revenue 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 \$221,049 and \$241,381 for the fiscal years ended May 31, 2013 and 2012, respectively.

9 - COMMITMENTS

The Organization rents office space at its current location under a lease agreement that expires in August 2013. The lease requires payment of escalation rentals for certain operating expenses and real estate taxes. Also, the Organization has a standby letter of credit for the lease in the amount of \$1,166,000 with a bank, in lieu of providing a security deposit. The Organization subleases a portion of its office space. That agreement allows for the Organization to charge for increases in real estate taxes and operating costs in addition to minimum rentals.

Minimum future payments under these leases and sublease are summarized as follows:

Year Ending May 31,	Office Lease	Sublease Income	Net
2014	\$346,500	\$(70,250)	\$276,250

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 \$1,996,946 and \$1,947,109 for the fiscal years ended May 31, 2013 and 2012, respectively.

On December 27, 2012, the Organization entered into a lease agreement for a term of ten and a half years, or 126 months, for office space in a different location, commencing on the date the Organization takes possession of the space, which occurred on July 22, 2013. Rent payable under the lease will be fully abated for the first six months starting on July 22, 2013; after that, monthly rent for the next 42 months commencing on January 22, 2014 will be \$100,850, or \$1,210,195 per annum. Starting with the fifth anniversary of the possession date, monthly rent for the remaining term of the lease will be \$109,494, or \$1,313,926 per annum.

COMBINING SUPPLEMENTARY INFORMATION

**THE NEW YORK STATE SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS
AND RELATED ENTITIES**

COMBINING SCHEDULES OF ACTIVITIES BY ENTITY

YEAR ENDED MAY 31, 2013

	The New York State Society of Certified Public Accountants					Foundation for Accounting Education, Inc.			CPA PAC		Eliminations	Total
	Unrestricted	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Total				
Revenues and other support												
Membership dues	\$ 7,604,619	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,604,619
Education fees	-	3,096,414	-	-	3,096,414	-	-	-	-	-	-	3,096,414
The CPA Journal	1,082,963	-	-	-	-	-	-	-	-	-	-	1,082,963
Member services	919,961	-	-	-	-	-	-	-	-	-	-	919,961
Chapter activities	725,704	-	-	-	-	-	-	-	-	-	-	725,704
The Trusted Professional	376,651	-	-	-	-	-	-	-	-	-	-	376,651
Contributions	140,000	1,432,930	79,506	1,600	1,514,036	-	16,592	16,592	(1,427,930)	-	-	242,698
Special events	-	-	85,050	-	85,050	-	-	-	-	-	-	85,050
Investment income (loss)	(9,018)	-	307,002	-	307,002	-	(251)	(251)	-	-	-	297,733
Other revenues	94,634	8,098	-	-	8,098	-	-	-	-	-	-	102,732
Net assets released from restrictions	-	294,331	(294,331)	-	-	28,337	(28,337)	-	-	-	-	-
Total revenues and other support	10,935,514	4,831,773	177,227	1,600	5,010,600	28,337	(11,996)	16,341	(1,427,930)	-	-	14,534,525
Expenses												
Program services												
Membership	480,562	-	-	-	-	-	-	-	-	-	-	480,562
Education	-	3,481,473	-	-	3,481,473	-	-	-	-	-	-	3,481,473
The CPA Journal	905,516	-	-	-	-	-	-	-	-	-	-	905,516
Member services	3,623,226	-	-	-	-	-	-	-	(1,427,930)	-	-	2,195,296
Chapter activities	990,933	-	-	-	-	-	-	-	-	-	-	990,933
The Trusted Professional	480,083	-	-	-	-	-	-	-	-	-	-	480,083
Career Opportunities in the Accounting Profession (COAP) Program	-	268,234	-	-	268,234	-	-	-	-	-	-	268,234
Scholarship Program	-	171,135	-	-	171,135	-	-	-	-	-	-	171,135
Advocacy - CPA PAC	-	-	-	-	-	22,394	-	22,394	-	-	-	22,394
Total program services	6,480,320	3,920,842	-	-	3,920,842	22,394	-	22,394	(1,427,930)	-	-	8,995,626
Supporting services												
General and administrative	2,536,050	853,505	-	-	853,505	5,943	-	5,943	-	-	-	3,395,498
Fund raising	-	57,426	-	-	57,426	-	-	-	-	-	-	57,426
Total supporting services	2,536,050	910,931	-	-	910,931	5,943	-	5,943	-	-	-	3,452,924
Total expenses	9,016,370	4,831,773	-	-	4,831,773	28,337	-	28,337	(1,427,930)	-	-	12,448,550
Change in net assets	1,919,144	-	177,227	1,600	178,827	-	(11,996)	(11,996)	-	-	-	2,085,975
Net assets, beginning of year	2,545,945	-	1,628,472	54,700	1,683,172	-	124,085	124,085	-	-	-	4,353,202
Net assets, end of year	\$ 4,465,089	\$ -0-	\$ 1,805,699	\$ 56,300	\$ 1,861,999	\$ -0-	\$ 112,089	\$ 112,089	\$ -0-	\$ -	\$ -	\$ 6,439,177

See Independent Auditors' Report.

**THE NEW YORK STATE SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS
AND RELATED ENTITIES**

COMBINING SCHEDULES OF ACTIVITIES BY ENTITY

YEAR ENDED MAY 31, 2012

	The New York State Society of Certified Public Accountants	Foundation for Accounting Education, Inc.				CPA PAC			Eliminations	Total
	Unrestricted	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Total		
Revenues and other support										
Membership dues	\$ 7,268,158	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,268,158
Education fees	-	4,050,019	-	-	4,050,019	-	-	-	-	4,050,019
The CPA Journal	1,163,875	-	-	-	-	-	-	-	-	1,163,875
Member services	933,101	-	-	-	-	-	-	-	-	933,101
Chapter activities	703,711	-	-	-	-	-	-	-	-	703,711
The Trusted Professional	366,337	-	-	-	-	-	-	-	-	366,337
Contributions	-	1,102,628	137,003	600	1,240,231	-	8,150	8,150	(1,102,628)	145,753
Special events	-	-	81,681	-	81,681	-	-	-	-	81,681
Investment income (loss)	3,943	-	(129,013)	-	(129,013)	-	(206)	(206)	-	(125,276)
Other revenues	45,258	29,515	-	-	29,515	-	-	-	-	74,773
Net assets released from restrictions	-	282,527	(282,527)	-	-	30,195	(30,195)	-	-	-
Total revenues and other support	10,484,383	5,464,689	(192,856)	600	5,272,433	30,195	(22,251)	7,944	(1,102,628)	14,662,132
Expenses										
Program services										
Membership	537,066	-	-	-	-	-	-	-	-	537,066
Education	-	4,144,342	-	-	4,144,342	-	-	-	-	4,144,342
The CPA Journal	972,124	-	-	-	-	-	-	-	-	972,124
Member services	3,315,990	-	-	-	-	-	-	-	(1,102,628)	2,213,362
Chapter activities	1,040,683	-	-	-	-	-	-	-	-	1,040,683
The Trusted Professional	461,345	-	-	-	-	-	-	-	-	461,345
Career Opportunities in the Accounting Profession (COAP) Program	-	249,893	-	-	249,893	-	-	-	-	249,893
Scholarship Program	-	133,993	-	-	133,993	-	-	-	-	133,993
Advocacy - CPA PAC	-	-	-	-	-	25,148	-	25,148	-	25,148
Total program services	6,327,208	4,528,228	-	-	4,528,228	25,148	-	25,148	(1,102,628)	9,777,956
Supporting services										
General and administrative	2,599,144	896,335	-	-	896,335	5,047	-	5,047	-	3,500,526
Fund raising	-	40,126	-	-	40,126	-	-	-	-	40,126
Total supporting services	2,599,144	936,461	-	-	936,461	5,047	-	5,047	-	3,540,652
Total expenses	8,926,352	5,464,689	-	-	5,464,689	30,195	-	30,195	(1,102,628)	13,318,608
Change in net assets	1,558,031	-	(192,856)	600	(192,256)	-	(22,251)	(22,251)	-	1,343,524
Net assets, beginning of year	987,914	-	1,821,328	54,100	1,875,428	-	146,336	146,336	-	3,009,678
Net assets, end of year	\$ 2,545,945	\$ -0-	\$ 1,628,472	\$ 54,700	\$ 1,683,172	\$ -0-	\$ 124,085	\$ 124,085	\$ -0-	\$ 4,353,202

See Independent Auditors' Report.