

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

**COMBINED FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

YEARS ENDED MAY 31, 2014 AND 2013

AND

INDEPENDENT AUDITORS' REPORT



FRIEDMAN LLP
ACCOUNTANTS AND ADVISORS

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

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Combined Financial Statements	
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Notes to Combined Financial Statements	6
Combining Supplementary Information	
Schedules of Activities by Entity Year Ended May 31, 2014	16
Schedules of Activities by Entity Year Ended May 31, 2013	17



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 combined statements of financial position as of May 31, 2014 and 2013, and the related combined statements of activities and cash flows for the years then ended, and the related notes to the combined 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, 2014 and 2013, 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 combined 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 combined 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 15, 2014

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

COMBINED STATEMENTS OF FINANCIAL POSITION

	May 31,	
	2014	2013
ASSETS		
Current assets		
Cash and cash equivalents	\$ 7,438,983	\$ 5,880,960
Accounts receivable	187,512	210,725
Investments	4,332,605	4,210,564
Prepaid expenses	121,810	327,996
Total current assets	12,080,910	10,630,245
Long-term assets		
Deposits on fixed assets	-	755,295
Fixed assets - net	3,308,298	1,481,961
Total long-term assets	3,308,298	2,237,256
Total assets	\$ 15,389,208	\$ 12,867,501
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 854,140	\$ 906,674
Deferred dues and unearned subscriptions and fees	4,715,912	4,231,592
Deferred rent	9,799	29,553
Loans payable	210,437	127,163
Capital lease obligations	148,333	118,772
Total current liabilities	5,938,621	5,413,754
Long-term liabilities		
Deferred rent	659,161	-
Loans payable	1,406,806	803,538
Capital lease obligations	146,090	211,032
Total long-term liabilities	2,212,057	1,014,570
Total liabilities	8,150,678	6,428,324
Commitments		
Net assets		
Unrestricted	5,226,026	4,465,089
Temporarily restricted	1,954,604	1,917,788
Permanently restricted	57,900	56,300
Total net assets	7,238,530	6,439,177
Total liabilities and net assets	\$ 15,389,208	\$ 12,867,501

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,							
	2014				2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and other support								
Membership dues	\$ 7,600,155	\$ -	\$ -	\$ 7,600,155	\$ 7,604,619	\$ -	\$ -	\$ 7,604,619
Education fees	3,141,976	-	-	3,141,976	3,096,414	-	-	3,096,414
The CPA Journal	1,007,906	-	-	1,007,906	1,082,963	-	-	1,082,963
Member services	938,656	-	-	938,656	919,961	-	-	919,961
Chapter activities	717,065	-	-	717,065	725,704	-	-	725,704
The Trusted Professional	381,943	-	-	381,943	376,651	-	-	376,651
Contributions	27,121	109,490	1,600	138,211	145,000	96,098	1,600	242,698
Special events	-	85,150	-	85,150	-	85,050	-	85,050
Investment income (loss)	(196)	246,566	-	246,370	(9,018)	306,751	-	297,733
Other revenues	76,891	-	-	76,891	102,732	-	-	102,732
Net assets released from restrictions	404,390	(404,390)	-	-	322,668	(322,668)	-	-
Total revenues and other support	14,295,907	36,816	1,600	14,334,323	14,367,694	165,231	1,600	14,534,525
Expenses								
Program services								
Membership	583,780	-	-	583,780	480,562	-	-	480,562
Education	3,296,786	-	-	3,296,786	3,481,473	-	-	3,481,473
The CPA Journal	1,053,949	-	-	1,053,949	905,516	-	-	905,516
Member services	2,498,376	-	-	2,498,376	2,195,296	-	-	2,195,296
Chapter activities	1,025,807	-	-	1,025,807	990,933	-	-	990,933
The Trusted Professional	593,285	-	-	593,285	480,083	-	-	480,083
Career Opportunities in the Accounting Profession (COAP) Program	310,775	-	-	310,775	268,234	-	-	268,234
Scholarship Program	236,488	-	-	236,488	171,135	-	-	171,135
Advocacy - CPA PAC	20,788	-	-	20,788	22,394	-	-	22,394
Total program services	9,620,034	-	-	9,620,034	8,995,626	-	-	8,995,626
Supporting services								
General and administrative	3,850,568	-	-	3,850,568	3,395,498	-	-	3,395,498
Fund raising	64,368	-	-	64,368	57,426	-	-	57,426
Total supporting services	3,914,936	-	-	3,914,936	3,452,924	-	-	3,452,924
Total expenses	13,534,970	-	-	13,534,970	12,448,550	-	-	12,448,550
Change in net assets	760,937	36,816	1,600	799,353	1,919,144	165,231	1,600	2,085,975
Net assets, beginning of year	4,465,089	1,917,788	56,300	6,439,177	2,545,945	1,752,557	54,700	4,353,202
Net assets, end of year	\$ 5,226,026	\$ 1,954,604	\$ 57,900	\$ 7,238,530	\$ 4,465,089	\$ 1,917,788	\$ 56,300	\$ 6,439,177

See notes to combined financial statements.

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

COMBINING SCHEDULES OF ACTIVITIES BY ENTITY

YEAR ENDED MAY 31, 2014

	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	\$ 7,600,155	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,600,155
Education fees	-	3,141,976	-	-	3,141,976	-	-	-	-	3,141,976
The CPA Journal	1,007,906	-	-	-	-	-	-	-	-	1,007,906
Member services	938,656	-	-	-	-	-	-	-	-	938,656
Chapter activities	717,065	-	-	-	-	-	-	-	-	717,065
The Trusted Professional	381,943	-	-	-	-	-	-	-	-	381,943
Contributions	-	1,324,422	73,499	1,600	1,399,521	-	35,991	35,991	(1,297,301)	138,211
Special events	-	-	85,150	-	85,150	-	-	-	-	85,150
Investment income (loss)	(519)	323	246,849	-	247,172	-	(283)	(283)	-	246,370
Other revenues	71,431	5,460	-	-	5,460	-	-	-	-	76,891
Net assets released from restrictions	-	364,473	(364,473)	-	-	39,917	(39,917)	-	-	-
Total revenues and other support	10,716,637	4,836,654	41,025	1,600	4,879,279	39,917	(4,209)	35,708	(1,297,301)	14,334,323
Expenses										
Program services										
Membership	583,780	-	-	-	-	-	-	-	-	583,780
Education	-	3,296,786	-	-	3,296,786	-	-	-	-	3,296,786
The CPA Journal	1,053,949	-	-	-	-	-	-	-	-	1,053,949
Member services	3,795,677	-	-	-	-	-	-	-	(1,297,301)	2,498,376
Chapter activities	1,025,807	-	-	-	-	-	-	-	-	1,025,807
The Trusted Professional	593,285	-	-	-	-	-	-	-	-	593,285
Career Opportunities in the Accounting Profession (COAP) Program	-	310,775	-	-	310,775	-	-	-	-	310,775
Scholarship Program	-	236,488	-	-	236,488	-	-	-	-	236,488
Advocacy - CPA PAC	-	-	-	-	-	20,788	-	20,788	-	20,788
Total program services	7,052,498	3,844,049	-	-	3,844,049	20,788	-	20,788	(1,297,301)	9,620,034
Supporting services										
General and administrative	2,903,202	928,237	-	-	928,237	19,129	-	19,129	-	3,850,568
Fund raising	-	64,368	-	-	64,368	-	-	-	-	64,368
Total supporting services	2,903,202	992,605	-	-	992,605	19,129	-	19,129	-	3,914,936
Total expenses	9,955,700	4,836,654	-	-	4,836,654	39,917	-	39,917	(1,297,301)	13,534,970
Change in net assets	760,937	-	41,025	1,600	42,625	-	(4,209)	(4,209)	-	799,353
Net assets, beginning of year	4,465,089	-	1,805,699	56,300	1,861,999	-	112,089	112,089	-	6,439,177
Net assets, end of year	\$ 5,226,026	\$ -0-	\$ 1,846,724	\$ 57,900	\$ 1,904,624	\$ -0-	\$ 107,880	\$ 107,880	\$ -0-	\$ 7,238,530

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, 2013

	The New York State Society of Certified Public Accountants					Foundation for Accounting Education, Inc.			CPA PAC		
	Unrestricted	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Total	Eliminations	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**

COMBINED STATEMENTS OF CASH FLOWS

	Year Ended May 31,	
	2014	2013
Cash flows from operating activities		
Change in net assets	\$ 799,353	\$ 2,085,975
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	829,046	736,973
Permanently restricted contributions	(1,600)	(1,600)
Realized and unrealized gain on investments	(210,136)	(248,907)
Changes in assets and liabilities		
Accounts receivable	23,213	(52,788)
Prepaid expenses	206,186	(194,489)
Accounts payable and accrued expenses	(52,534)	244,620
Deferred dues and unearned subscriptions and fees	484,320	(1,178,592)
Deferred rent	639,407	(118,214)
Grant payable	-	(10,000)
Net cash provided by operating activities	2,717,255	1,262,978
Cash flows from investing activities		
Deposits on fixed assets	755,295	(755,295)
Purchases of fixed assets	(2,551,051)	(140,581)
Proceeds from sales of investments	1,794,890	400,868
Purchases of investments	(1,706,795)	(940,640)
Net cash used in investing activities	(1,707,661)	(1,435,648)
Cash flows from financing activities		
Proceeds from loan	851,108	817,000
Principal payments on loan	(164,566)	(49,636)
Principal payments on capital lease obligations	(139,713)	(138,102)
Permanently restricted contributions	1,600	1,600
Net cash provided by financing activities	548,429	630,862
Net increase in cash and cash equivalents	1,558,023	458,192
Cash and cash equivalents, beginning of year	5,880,960	5,422,768
Cash and cash equivalents, end of year	\$ 7,438,983	\$ 5,880,960
Supplemental cash flow disclosures		
Cash paid during the year for interest	\$ 80,436	\$ 19,169
Noncash investing and financing activities		
Purchase of equipment through capital lease obligations	\$ 104,332	\$ 58,272
Disposal of fully depreciated fixed assets	2,518,686	-

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 2011 are no longer subject to examination by tax authorities.

Concentrations of Credit Risk for Cash and Cash Equivalents

Cash and cash equivalent balances held in banks are insured by the Federal Deposit Insurance Corporation up to \$250,000 per depositor. Cash and cash equivalents held in banks totaling \$6,750,339 at May 31, 2014 exceeded such 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, 2014 and 2013.

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
AND RELATED ENTITIES**

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, 2014 and 2013, 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, 2014 and 2013.

Cash Equivalents, Fixed Income Securities and 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. 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
AND RELATED ENTITIES**

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 2014 and 2013, 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, 2014 and 2013, advertising expense amounted to \$101,093 and \$114,659, 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.

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,	
	2014	2013
Cash and cash equivalents	\$ 186,997	\$ 205,190
Equity securities	1,055,407	1,561,038
Fixed income securities	542,228	599,552
Mutual funds		
Government short duration	1,788,584	1,789,103
Fixed income	376,497	15,034
Equity	382,892	40,647
	\$ 4,332,605	\$ 4,210,564

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

NOTES TO COMBINED FINANCIAL STATEMENTS

3 - INVESTMENTS (Continued)

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

	Year Ended May 31,					
	2014			2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Interest and dividend income	\$ 8,288	\$ 58,534	\$ 66,822	\$ 8,850	\$ 65,571	\$ 74,421
Net realized gains (losses)	(61)	202,168	202,107	3,312	(8,579)	(5,267)
Net unrealized gains (losses)	(3,960)	11,989	8,029	(17,650)	271,825	254,175
Investment fees	(4,463)	(26,125)	(30,588)	(3,530)	(22,066)	(25,596)
Total investment return	\$ (196)	\$ 246,566	\$ 246,370	\$ (9,018)	\$ 306,751	\$ 297,733

4 - FIXED ASSETS

Fixed assets consist of the following:

	May 31,	
	2014	2013
Furniture and equipment	\$ 2,178,974	\$ 993,530
Data processing system	2,604,821	2,836,738
Leasehold improvements	989,224	1,806,054
	5,773,019	5,636,322
Less - Accumulated depreciation and amortization	(2,464,721)	(4,154,361)
	\$ 3,308,298	\$ 1,481,961

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

NOTES TO COMBINED FINANCIAL STATEMENTS

5 - CAPITAL LEASE OBLIGATIONS

The Organization has entered into several capital equipment leases expiring at various dates through July 2017, with interest rates ranging from 3.25% to 3.67%. The cost of the equipment was \$587,674 with an accumulated amortization of \$298,842 at May 31, 2014. Interest expense in 2014 and 2013 totaled \$11,321 and \$12,452, respectively.

The future lease payments are as follows:

Year Ending May 31,	
2015	\$ 156,080
2016	108,197
2017	37,652
2018	4,028
	<hr/> 305,957
Less - Amount representing interest	(11,534)
Present value of net minimum lease payments	294,423
Less - Current portion	(148,333)
	<hr/> <hr/> \$ 146,090

6 - LOANS 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.

In fiscal year 2013, the Society and Foundation, as co-borrowers, obtained a second 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 is payable in 108 equal monthly installments of principal and interest commencing in September 2013 and expires in August 2022. The loan bears a fixed interest rate of 4.81%.

The credit facility and term loans are collateralized with a first position security interest on the assets of the Society and Foundation, excluding temporarily and permanently restricted assets.

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

NOTES TO COMBINED FINANCIAL STATEMENTS

6 - LOANS PAYABLE (Continued)

There were no amounts outstanding under the working capital line of credit facility at May 31, 2014. The required principal payments on the term loans are as follows:

Year Ending May 31,	
2015	\$ 210,437
2016	173,351
2017	173,011
2018	181,640
2019	190,699
Thereafter	688,105
	\$ 1,617,243

Interest expense in 2014 and 2013 totaled \$69,115 and \$6,717, respectively.

**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,	
	2014	2013
Undergraduate scholarships	\$ 1,750,997	\$ 1,712,957
Member financial assistance	85,510	84,565
CPA PAC	107,880	112,089
Lecture series	10,217	8,177
	\$ 1,954,604	\$ 1,917,788

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

NOTES TO COMBINED FINANCIAL STATEMENTS

**7 - TEMPORARILY RESTRICTED AND PERMANENTLY RESTRICTED
NET ASSETS (Continued)**

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

	Year Ended May 31,	
	2014	2013
Career opportunities in the accounting profession	\$ 121,415	\$ 116,226
Undergraduate scholarships	236,486	171,160
Member financial assistance	6,572	6,945
CPA PAC	39,917	28,337
	<u>\$ 404,390</u>	<u>\$ 322,668</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,	
	2014	2013
Lecture series	\$ 15,000	\$ 15,000
Undergraduate scholarships	42,900	41,300
	<u>\$ 57,900</u>	<u>\$ 56,300</u>

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 the plan totaled \$251,713 and \$221,049 for the fiscal years ended May 31, 2014 and 2013, respectively.

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

NOTES TO COMBINED FINANCIAL STATEMENTS

9 - COMMITMENTS

On December 27, 2012, the Organization entered into a lease agreement for a term of ten and a half years for office space at its current location; the Organization took possession of the space on July 22, 2013. Rent payable under the lease was fully abated for the first six months and partially abated for the seventh month. Commencing on February 22, 2014, monthly rent is \$100,850, or \$1,210,195 per annum, for the next 53 months. Starting with the fifth-year anniversary of the possession date, monthly rent for the remaining term of the lease will be \$109,494, or \$1,313,926 per annum.

Minimum future payments under the lease are summarized as follows:

Year Ending May 31,	
2015	\$ 1,210,195
2016	1,210,195
2017	1,210,195
2018	1,210,195
2019	1,305,282
Thereafter	6,022,161
	<u>\$12,168,223</u>

Office space rental expense (including charges for operating expenses and taxes) is recognized using the straight-line method over the term of the lease, which amounted to \$1,760,439 and \$1,996,946 for the fiscal years ended May 31, 2014 and 2013, respectively.

10 - SUBSEQUENT EVENTS

These combined financial statements were approved by management and available for issuance on September 15, 2014. Management has evaluated subsequent events through this date.

COMBINING SUPPLEMENTARY INFORMATION