

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

**COMBINED FINANCIAL STATEMENTS
AND AUDITOR'S REPORT**

MAY 31, 2010 AND 2009

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

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Independent Auditor's Report

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

We have audited the accompanying combined statements of financial position of The New York State Society of Certified Public Accountants and Related Entities ("the Organization") as of May 31, 2010 and 2009, and the related combined statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The New York State Society of Certified Public Accountants and Related Entities' internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The New York State Society of Certified Public Accountants and Related Entities as of May 31, 2010 and 2009, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of The New York State Society of Certified Public Accountants and Related Entities taken as a whole. The information in Schedule 1 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Loeb & Troper LLP

September 29, 2010

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

COMBINED STATEMENTS OF FINANCIAL POSITION

MAY 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u> (Restated)
ASSETS		
Cash and cash equivalents	\$ 4,529,956	\$ 3,902,064
Investments	2,841,585	2,881,480
Accounts receivable - net	308,253	272,972
Prepaid expenses	172,948	196,116
Fixed assets - net	<u>3,047,978</u>	<u>2,813,347</u>
Total assets	<u>\$ 10,900,720</u>	<u>\$ 10,065,979</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 1,644,985	\$ 762,115
Deferred dues and unearned subscriptions and fees	5,738,047	4,756,535
Deferred rent	384,195	502,409
Grant payable	30,000	40,000
Capital lease obligations	<u>414,584</u>	<u>538,825</u>
Total liabilities	<u>8,211,811</u>	<u>6,599,884</u>
Net assets (Exhibit B)		
Unrestricted	850,744	1,686,171
Temporarily restricted	1,784,165	1,728,024
Permanently restricted	<u>54,000</u>	<u>51,900</u>
Total net assets	<u>2,688,909</u>	<u>3,466,095</u>
Total liabilities and net assets	<u>\$ 10,900,720</u>	<u>\$ 10,065,979</u>

The accompanying notes are an integral part of these statements.

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

EXHIBIT B

COMBINED STATEMENTS OF ACTIVITIES

YEARS ENDED MAY 31, 2010 AND 2009

	2010				2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and other support								
Membership dues	\$ 7,410,553			\$ 7,410,553	\$ 7,376,033			\$ 7,376,033
Education fees	4,749,935			4,749,935	4,100,188			4,100,188
The CPA Journal	925,748			925,748	968,810			968,810
Member services	896,644			896,644	942,154			942,154
Chapter activities	527,648			527,648	815,209			815,209
The Trusted Professional	164,692			164,692	160,935			160,935
Shows and exhibits					190,652			190,652
Contributions		\$ 171,045	\$ 2,100	173,145		\$ 234,319	\$ 100	234,419
Special events		49,163		49,163		99,500		99,500
Investment income (loss)	27,991	183,517		211,508	42,150	(595,483)		(553,333)
Other revenues	53,770			53,770	67,203			67,203
Net assets released from restrictions	347,584	(347,584)			450,297	(450,297)		
Total revenues and other support	15,104,565	56,141	2,100	15,162,806	15,113,631	(711,961)	100	14,401,770
Expenses								
Program services								
Membership	629,403			629,403	784,876			784,876
Education	3,555,027			3,555,027	3,068,045			3,068,045
The CPA Journal	1,598,596			1,598,596	1,556,614			1,556,614
Member services	4,619,315			4,619,315	4,497,798			4,497,798
Chapter activities	1,015,611			1,015,611	957,048			957,048
The Trusted Professional	769,181			769,181	920,346			920,346
Shows and exhibits					151,257			151,257
Career Opportunities in the Accounting Profession (COAP) Program	250,369			250,369	213,024			213,024
Scholarship Program	155,548			155,548	142,875			142,875
Advocacy - PAC	24,491			24,491	81,534			81,534
Total program services	12,617,541			12,617,541	12,373,417			12,373,417
Supporting services								
General and administrative	3,302,690			3,302,690	2,813,475			2,813,475
Fund raising	19,761			19,761	12,234			12,234
Total supporting services	3,322,451			3,322,451	2,825,709			2,825,709
Total expenses	15,939,992			15,939,992	15,199,126			15,199,126
Change in net assets (Exhibit C)	(835,427)	56,141	2,100	(777,186)	(85,495)	(711,961)	100	(797,356)
Net assets - beginning of year	1,686,171	1,728,024	51,900	3,466,095	1,771,666	2,439,985	51,800	4,263,451
Net assets - end of year (Exhibit A)	\$ 850,744	\$ 1,784,165	\$ 54,000	\$ 2,688,909	\$ 1,686,171	\$ 1,728,024	\$ 51,900	\$ 3,466,095

The accompanying notes are an integral part of these statements.

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

COMBINED STATEMENTS OF CASH FLOWS

YEARS ENDED MAY 31, 2010 AND 2009

	2010	2009
		(Restated)
Cash flows from operating activities		
Change in net assets (Exhibit B)	\$ (777,186)	\$ (797,356)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation and amortization	632,080	499,927
Permanently restricted contributions	(2,100)	(100)
Realized and unrealized loss (gain) on investments	(182,036)	622,008
Decrease (increase) in assets		
Accounts receivable	(35,281)	(29,773)
Prepaid expenses	23,168	7,127
Security deposit		2,996
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	882,870	31,248
Deferred dues and unearned subscriptions and fees	981,512	(294,878)
Deferred rent	(118,214)	(90,714)
Grant payable	(10,000)	40,000
	<u>1,394,813</u>	<u>(9,515)</u>
Cash flows from investing activities		
Purchases of fixed assets	(866,711)	(1,301,416)
Proceeds from sales of investments	1,208,962	1,097,365
Purchases of investments	(987,031)	(1,344,232)
	<u>(644,780)</u>	<u>(1,548,283)</u>
Cash flows from financing activities		
Principal payments on capital lease obligations	(124,241)	(157,124)
Permanently restricted contributions	2,100	100
	<u>(122,141)</u>	<u>(157,024)</u>
Net increase (decrease) in cash and cash equivalents	627,892	(1,714,822)
Cash and cash equivalents - beginning of year	3,902,064	5,616,886
Cash and cash equivalents - end of year	\$ 4,529,956	\$ 3,902,064
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	\$ 24,954	\$ 32,307

The accompanying notes are an integral part of these statements.

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

NOTES TO COMBINED FINANCIAL STATEMENTS

MAY 31, 2010 AND 2009

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 combined financial statements reflect the revenue, expenses, assets, liabilities and net assets and cash flows of the Society and its affiliated entities described in the following paragraphs, as well as those of the Society's various chapters. 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 primary sources of revenue are membership dues, publications and services to members.

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 Foundation is exempt from federal taxes under section 501(c)(3) of the Code and from state and local taxes under comparable laws. The primary sources of revenue are education fees and contributions.

The New York State Society of Certified Public Accountants Benevolent Fund, Inc. (the "Benevolent Fund") was a not-for-profit organization, the purpose of which was to aid members and their families who were in need of financial assistance and provided referral services for members suffering from substance-abuse disorders. The primary sources of revenue were contributions and bequests from members of the Society and income derived from investments. The Benevolent Fund was exempt from federal taxes under section 501(c)(3) of the Code and from state and local taxes under comparable laws. (See Note 11.)

The New York State Society CPA PAC, Inc. (the "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. As a political organization, the PAC is subject to corporate tax on its taxable income. The primary source of revenue is contributions.

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

NOTES TO COMBINED FINANCIAL STATEMENTS

MAY 31, 2010 AND 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting - The accompanying combined financial statements include the financial position, operating activities and cash flows of the Society, the Foundation, the Benevolent Fund and the PAC (together, 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, the Benevolent Fund and the PAC based upon services rendered by common personnel and usage of common facilities. The accompanying combined financial statements of the Organization have been prepared on the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America as applicable to not-for-profit entities.

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.

Use of estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Cash and cash equivalents - The Organization considers all highly liquid financial instruments purchased with original maturities of three months or less to be cash equivalents.

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.

Investments - Investments in securities are reported at fair value, with gains and losses included in the combined statements of activities.

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

NOTES TO COMBINED FINANCIAL STATEMENTS

MAY 31, 2010 AND 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Society invests in various investment securities, which are exposed to various risks including interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in their values will occur in the near term, based on market fluctuations, and that such changes could materially affect the amounts reported in the accompanying financial statements.

Fixed assets - Fixed assets and leasehold improvements are recorded at cost. Purchases of furniture and equipment, data processing systems and leasehold improvements in excess of \$500 with an estimated useful life of more than one year are capitalized, whereas costs of maintenance and repairs are charged to expense as incurred. 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.

Net assets - The net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted - Unrestricted net assets represent those resources that are not subject to donor restrictions.

Temporarily restricted - Temporarily restricted net assets represent those resources that are subject to donor-imposed stipulations that will be met either by actions of the Organization and/or the passage of time. Net assets released from restrictions represent the satisfaction of the restricted purposes.

Permanently restricted - Permanently restricted net assets represent those resources that are subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments, and the net capital appreciation thereon, for general or specific purposes.

The net assets of the PAC are classified as temporarily restricted as they arise from contributions made for the restricted purposes. In 2009, the net assets of the Benevolent Fund were also classified as temporarily restricted as they arose from contributions for restricted purposes.

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

NOTES TO COMBINED FINANCIAL STATEMENTS

MAY 31, 2010 AND 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Contributions receivable - Unconditional promises to give are recorded as receivables and revenues and are recognized when the promises are made at fair value by discounting to their net present value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The amounts are computed using risk-free interest rates. Conditional promises to give are not included in support until the conditions are substantially met.

Dues, accounts receivable and deferred revenue - 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.

Accounts payable and accrued expenses - Accounts payable and accrued expenses includes an accrual for the resignation of an executive employee who was covered by an employment contract.

Advertising costs - Costs of promotion and advertising are expensed as incurred. For the fiscal years ended May 31, 2010 and 2009, advertising expense amounted to \$272,811 and \$280,819, respectively.

Operating leases - Operating lease expense has been recorded on the straight-line basis over the life of the lease. Deferred rent reflects the excess of rent expensed on the straight-line basis over rent payments made under the terms of the lease.

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

NOTES TO COMBINED FINANCIAL STATEMENTS

MAY 31, 2010 AND 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurements - In accordance with FASB Accounting Standards Codification (ASC) Topic 820, the Organization adopted provisions of *Fair Value Measurements and Disclosures*, which establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. 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). The three levels of the fair value hierarchy are described below. 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 inputs to the valuation methodology are unobservable and significant to the fair value measurement. The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. As of May 31, 2010 and 2009, the Society invested only in investments that are designated as Level 1 (see Note 4). There have been no changes in the methodologies used at May 31, 2010 and 2009.

Mutual funds - Valued at the net asset value (NAV) of shares held at year end.

Cash equivalents, government obligations and equities - Valued at the closing price reported on the active market on which the individual securities are traded.

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

NOTES TO COMBINED FINANCIAL STATEMENTS

MAY 31, 2010 AND 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Accounting for uncertainty in income taxes - Effective June 1, 2009, the Organization adopted the provision pertaining to uncertain tax positions (ASC Topic 740) and has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

Reclassifications - Functional expenses of 2009 have been reclassified to conform with the 2010 presentation.

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable consist of the following:

	<u>2010</u>	<u>2009</u>
Membership dues	\$ 144,621	\$ 132,047
Peer review administration fees	19,554	13,628
Educational classes	5,381	30,962
Publications	60,136	53,881
Advertising and other	<u>173,198</u>	<u>153,656</u>
Total accounts receivable	402,890	384,174
Less allowance for doubtful accounts	<u>(94,637)</u>	<u>(111,202)</u>
Net accounts receivable	<u>\$ 308,253</u>	<u>\$ 272,972</u>

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

NOTES TO COMBINED FINANCIAL STATEMENTS

MAY 31, 2010 AND 2009

NOTE 4 - INVESTMENTS

The following tables set forth by level, within the fair value hierarchy, the assets at fair value as of May 31, 2010 and 2009:

	2010	2009
	Quoted Prices in Active Markets (Level 1)	Quoted Prices in Active Markets (Level 1)
Cash and cash equivalents	\$ 141,173	\$ 146,312
Government obligations	1,415,120	1,575,486
Mutual funds	343,547	327,170
Equities	<u>941,745</u>	<u>832,512</u>
	<u>\$ 2,841,585</u>	<u>\$ 2,881,480</u>

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

	2010			2009		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Interest and dividend income	\$ 17,825	\$ 31,901	\$ 49,726	\$ 37,616	\$ 49,231	\$ 86,847
Net realized gains (losses)	8,836	31,248	40,084	4,083	(276,679)	(272,596)
Net unrealized gains (losses)	4,078	137,874	141,952	2,881	(352,293)	(349,412)
Investment fees	<u>(2,748)</u>	<u>(17,506)</u>	<u>(20,254)</u>	<u>(2,430)</u>	<u>(15,742)</u>	<u>(18,172)</u>
Total investment return	<u>\$ 27,991</u>	<u>\$ 183,517</u>	<u>\$ 211,508</u>	<u>\$ 42,150</u>	<u>\$ (595,483)</u>	<u>\$ (553,333)</u>

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

NOTES TO COMBINED FINANCIAL STATEMENTS

MAY 31, 2010 AND 2009

NOTE 5 - FIXED ASSETS

Fixed assets consist of the following:

	<u>2010</u>	<u>2009</u>
Furniture and equipment	\$ 1,028,195	\$ 1,010,609
Data processing system	2,492,444	1,643,319
Leasehold improvements	<u>1,722,918</u>	<u>1,722,918</u>
	5,243,557	4,376,846
Less accumulated depreciation and amortization	<u>(2,195,579)</u>	<u>(1,563,499)</u>
	<u>\$ 3,047,978</u>	<u>\$ 2,813,347</u>

Depreciation and amortization of property and equipment amounted to \$632,080 and \$499,927 for the fiscal years ended May 31, 2010 and 2009, respectively. During fiscal year 2009, the Organization wrote off fully depreciated property and equipment amounting to \$74,415.

NOTE 6 - CAPITAL LEASE OBLIGATIONS

The Organization has entered into several capital equipment leases expiring at various dates through April 2014, bearing interest ranging from 3.25% through 8.25%. The cost of the equipment is \$675,483 with an accumulated amortization of \$286,147 at May 31, 2010. Interest expense in 2010 and 2009 was \$24,954 and \$32,307, respectively.

The future lease payments are as follows:

2011	\$ 156,505
2012	153,229
2013	133,703
2014	<u>5,002</u>
	448,439
Less amount representing interest	<u>(33,855)</u>
Present value of net minimum lease payments	<u>\$ 414,584</u>

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

MAY 31, 2010 AND 2009

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

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

	<u>2010</u>	<u>2009</u>
Career opportunities in the accounting profession		\$ 48,518
Undergraduate scholarships	\$ 1,122,683	1,085,418
Benevolent Fund	470,267	424,051
PAC	187,901	168,644
Lecture series	<u>3,314</u>	<u>1,393</u>
	<u>\$ 1,784,165</u>	<u>\$ 1,728,024</u>

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

	<u>2010</u>	<u>2009</u>
Career opportunities in the accounting profession	\$ 148,398	\$ 212,033
Undergraduate scholarships	168,538	142,874
Benevolent Fund		6,068
PAC	<u>30,648</u>	<u>89,322</u>
	<u>\$ 347,584</u>	<u>\$ 450,297</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:

	<u>2010</u>	<u>2009</u>
Lecture series	\$ 15,000	\$ 15,000
Scholarships	<u>39,000</u>	<u>36,900</u>
	<u>\$ 54,000</u>	<u>\$ 51,900</u>

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

NOTES TO COMBINED FINANCIAL STATEMENTS

MAY 31, 2010 AND 2009

NOTE 8 - RETIREMENT PLAN

The Organization maintains a deferred-compensation 401(k) retirement plan for all qualifying employees. Qualifying employees may elect to contribute up to the maximum amount federal tax law allows. The Organization contributes 3% of all eligible employees' salaries and, subject to a matching contribution limitation of 50% of the respective employee's salary, matches one-half of these employees' elective contributions. Amounts contributed by the Organization to this plan totaled \$305,403 and \$276,191 for the fiscal years ended May 31, 2010 and 2009, respectively.

NOTE 9 - COMMITMENTS

The Organization rents its office space 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:

	<u>Space Rental Lease</u>	<u>Space Sublease</u>	<u>Net</u>
2011	\$ 1,386,000	\$ (281,000)	\$ 1,105,000
2012	1,386,000	(281,000)	1,105,000
2013	1,386,000	(281,000)	1,105,000
2014	<u>346,500</u>	<u>(70,250)</u>	<u>276,250</u>
Total	<u>\$ 4,504,500</u>	<u>\$ (913,250)</u>	<u>\$ 3,591,250</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, and amounted to \$1,934,384 and \$1,877,248 for the fiscal years ended May 31, 2010 and 2009, respectively.

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

NOTES TO COMBINED FINANCIAL STATEMENTS

MAY 31, 2010 AND 2009

NOTE 10 - CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalent accounts in financial institutions which, from time to time, exceed federal insurance limits. The Organization does not have a material concentration of credit risk with respect to accounts receivable due to its large number of members and generally short payment terms.

NOTE 11 - MERGER OF BENEVOLENT FUND

The Board of Directors voted to merge the Benevolent Fund into the Foundation, and the merger was completed in November 2009. Accordingly, the net assets of the Benevolent Fund were merged into the Foundation.

NOTE 12 - FUNCTIONAL EXPENSES

	<u>2010</u>	<u>2009</u>
Program services	\$ 12,617,541	\$ 12,373,417
Supporting services	3,322,451	2,825,709
Investment fees	<u>20,254</u>	<u>18,172</u>
	<u>\$ 15,960,246</u>	<u>\$ 15,217,298</u>

NOTE 13 - GRANT PAYABLE

As of May 31, 2010, the Society had a grant payable in the amount of \$30,000 for the Accounting Doctoral Scholarship Program. The grant is payable in installments of \$10,000 a year over the next three years.

NOTE 14 - LITIGATION

The Society is a party to a litigation which, in the opinion of management, will not have a material adverse impact on the financial position of the Society.

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

NOTES TO COMBINED FINANCIAL STATEMENTS

MAY 31, 2010 AND 2009

NOTE 15 - RESTATEMENT

The Combined Statement of Financial Position at May 31, 2009 has been restated to properly record capital leases that were previously treated as operating leases. Fixed assets and capital lease obligations were increased by \$675,483 as of June 1, 2008.

This restatement had no impact on net assets as of June 1, 2008 and, additionally, had no impact on the previously reported change in net assets for the year ended May 31, 2009.

NOTE 16 - SUBSEQUENT EVENTS

In accordance with generally accepted accounting principles (ASC Topic 855), subsequent events have been evaluated through September 29, 2010, which is the date the financial statements were available to be issued.

Subsequent to year end, 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 Citibank. 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. The required principal payments on a \$250,000 five-year, fixed-rate term loan is as follows:

2011	\$ 42,442
2012	47,945
2013	49,777
2014	51,661
2015	53,616
Thereafter	<u>4,559</u>
	<u>\$ 250,000</u>

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

SCHEDULE 1

ACTIVITIES BY ENTITY

YEAR ENDED MAY 31, 2010

	The New York State Society of Certified Public Accountants	Foundation for Accounting Education, Inc.			PAC			Eliminations	Total
	Unrestricted	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted		
Revenues and other support									
Membership dues	\$ 7,410,553								\$ 7,410,553
Education fees		\$ 4,749,935			\$ 4,749,935				4,749,935
The CPA Journal	925,748								925,748
Member services	896,644								896,644
Chapter activities	527,648								527,648
The Trusted Professional	164,692								164,692
Contributions		56,641	\$ 121,027	\$ 2,100	179,768		\$ 50,018	\$ 50,018	\$ (56,641) 173,145
Special events			49,163		49,163				49,163
Investment income (loss)	27,907	84	183,631		183,715		(114)	(114)	211,508
Other revenues	29,558	24,212			24,212				53,770
Net assets released from restrictions		316,936	(316,936)			\$ 30,648	(30,648)		
Total revenues and other support	9,982,750	5,147,808	36,885	2,100	5,186,793	30,648	19,256	49,904	(56,641) 15,162,806
Expenses									
Program services									
Membership	629,403								629,403
Education		3,555,027			3,555,027				3,555,027
The CPA Journal	1,598,596								1,598,596
Member services	4,675,956							(56,641)	4,619,315
Chapter activities	1,015,611								1,015,611
The Trusted Professional	769,181								769,181
Career Opportunities in the Accounting Profession (COAP) Program		250,369			250,369				250,369
Scholarship Program		155,548			155,548				155,548
Advocacy - PAC						24,491		24,491	24,491
Total program services	8,688,747	3,960,944			3,960,944	24,491		24,491	(56,641) 12,617,541
Supporting services									
General and administrative	2,129,430	1,167,103			1,167,103	6,157		6,157	3,302,690
Fund raising		19,761			19,761				19,761
Total supporting services	2,129,430	1,186,864			1,186,864	6,157		6,157	3,322,451
Total expenses	10,818,177	5,147,808			5,147,808	30,648		30,648	(56,641) 15,939,992
Change in net assets	(835,427)	-	36,885	2,100	38,985	-	19,256	19,256	- (777,186)
Net assets - beginning of year	1,686,171		1,559,378 *	51,900	1,611,278		168,646	168,646	3,466,095
Net assets - end of year	\$ 850,744	\$ -	\$ 1,596,263	\$ 54,000	\$ 1,650,263	\$ -	\$ 187,902	\$ 187,902	\$ - \$ 2,688,909

* Includes \$424,051 from the Benevolent Fund, which was merged into the Foundation.