

Report of the Treasurer
to
NJAFP House of Delegates

Statements for the Period Ending

12/31/2022



New Jersey Academy of Family Physicians
Comparison Profit & Loss
Jan - Dec 2022 vs. Jan - Dec 2021

| | Preliminary Jan - Dec 22 | Final Jan - Dec 21 |
|--|-------------------------------------|-------------------------------|
| Revenue | | |
| 4100 · Annual Meeting | 44,390 | 45,091 |
| 4200 · Membership Dues | 325,509 | 324,423 |
| 4400 · Education Programs - (Non- S/A) | | |
| 4404 · Educational Grants/Contracts | 8,000 | 11,000 |
| 4405 · Program Administration | 177,805 | 38,950 |
| 4400 · Education Programs - (Non- S/A) | 185,805 | 49,950 |
| 4408 · State Grant Revenue | 241,291 | 225,796 |
| 4409 · Federal Grant Revenue | 106,116 | 136,346 |
| 4500 · Advertising Royalties | 19,019 | 9,191 |
| 4600 · Management Services Admin | 919,037 | 738,425 |
| 4700 · Unrestricted Educational Grants | 91,601 | 345,956 |
| 4903 · SBA LOAN PROCEEDS [PPP] | - | 195,345 |
| 4900 · Miscellaneous - Other | 1,351 | 463 |
| Total 4900 · Miscellaneous | 1,351 | 195,808 |
| Total Revenue | 1,934,119 | 2,070,985 |
| Expense | | |
| 6000 · PROGRAM SERVICES | | |
| 6300 · ANNUAL MEETING/SA | 47,930 | 13,633 |
| 6400 · FED GRANT EXPENSES | 106,116 | 136,346 |
| 6500 · STATE GRANT EXPENSES | 243,451 | 227,984 |
| 6700 · COMMITTEE MTGS/ACTIVITIES | 6,032 | 3,276 |
| 6900 · EDUCATION/PROG./WKSHPs | 82,690 | 195,859 |
| Total 6000 · PROGRAM SERVICES | 486,220 | 577,097 |
| 7000 · General and Adm Expenses | | |
| 7105 · GENERAL OFFICE | 144,378 | 136,660 |
| 7158 · Depreciation Expense | - | 20,174 |
| 7190 · Corporate taxes | 12,472 | 275 |
| 7191 · Sales Tax Expense | 2,608 | 4,360 |
| 7200 · INFORMATION SYSTEMS | 42,243 | 36,505 |
| 7600 · STAFF | 1,003,089 | 670,900 |
| 7800 · CONSULTING/PROF. FEES | 197,304 | 210,249 |
| 7860 · RESIDENT ACTIVITIES | 1,298 | - |
| 7885 · TRAVEL - NJAFP Exec, Staff | 12,392 | 6,089 |
| 7892 · PAC EXPENSES | - | 575 |
| 7893 · Ass'n Mgt Expense | 19,044 | 4,541 |
| 7960 · STAFF DISCRETIONARY | 213 | 179 |
| Total 7000 · General and Adm Expenses | 1,435,040 | 1,090,507 |
| Total Expense | 1,921,260 | 1,667,604 |
| Other Revenue | | |
| 8900 · INVESTMENT INCOME | (21,092) | 15,100 |
| Net Other Revenue | (21,092) | 15,100 |
| Net Revenue | (8,233) | 418,481 |

(252,136) 2021 ERTC is included

New Jersey Academy of Family Physicians
Comparison Balance Sheet
Dec 31, 2022 vs. Dec 31, 2021

| | Preliminary Dec 31, 22 | Final Dec 31, 21 |
|--|---------------------------|---------------------|
| ASSETS | | |
| Current Assets | | |
| Checking/Savings | | |
| 1005 · TD Bank Checking | 51,000 | 719 |
| 1006 · TD Bank Money Market-6556 | 393,660 | 3 |
| 1007 · TD Checking - NCEMS - 4659 | 157,134 | 340,790 |
| 1010 · AAFP Trust Fund | 114,493 | 135,675 |
| Total Checking/Savings | 716,288 | 477,187 |
| Accounts Receivable | 501,351 | 201,076 |
| Other Current Assets | | |
| 1100 · CURRENT ASSETS | | |
| 1150 · PrePaid Expenses | 20,796 | 12,980 |
| 1190 · Petty Cash on Hand | 330 | 230 |
| Total Other Current Assets | 21,126 | 13,210 |
| Total Current Assets | 1,238,765 | 691,474 |
| Fixed Assets | | |
| 1200 · FIXED ASSETS | | |
| 1207 · Capital Lease Equip | 20,579 | 20,579 |
| 1210 · Computer | 25,794 | 25,794 |
| 1220 · Accum Depreciation | (194,122) | (194,122) |
| 1230 · Furniture | 750 | 750 |
| 1249 · Land | 274,366 | 274,366 |
| 1250 · Building | 461,787 | 461,787 |
| Total Fixed Assets | 589,154 | 589,154 |
| TOTAL ASSETS | 1,827,919 | 1,280,628 |
| LIABILITIES & EQUITY | | |
| Liabilities | | |
| Current Liabilities | | |
| Accounts Payable | 382,916 | 521,865 |
| Other Current Liabilities | | |
| 1330 · Deferred Income | | |
| 2331 · Prepaid dues | 164,590 | 165,370 |
| 2332 · Deferred Program Revenue | 900 | 900 |
| 2333 · Deferred EMS Revenue | 264,585 | 123,162 |
| Total 1330 · Deferred Income | 430,075 | 289,432 |
| 1400 · CURRENT LIABILITIES | 3,292 | 3,835 |
| 1405 · Deferred Grant Income | 747,480 | 130,830 |
| 2501 · ACCRUED EXPENSES | 2,175 | 25,121 |
| Total Other Current Liabilities | 1,183,022 | 449,217 |
| Total Current Liabilities | 1,565,938 | 971,082 |
| Long Term Liabilities | | |
| 2600 · Mortgage | 219,181 | 258,514 |
| 2610 · Capital Lease - Copier | 16,317 | 16,317 |
| Total Long Term Liabilities | 235,498 | 274,831 |
| Total Liabilities | 1,801,437 | 1,245,913 |
| Equity | | |
| 3001 · Fund Balance | 34,715 | (383,766) |
| Net Revenue | (8,233) | 418,481 |
| Total Equity | 26,482 | 34,715 |
| TOTAL LIABILITIES & EQUITY | 1,827,919 | 1,280,628 |

**New Jersey Academy of Family Physicians
Comparison Statement of Functional Expenses
Dec 31, 2022 vs. Dec 31, 2021**

1) Preliminary Statement for the Period Ended December 31, 2022

| | HTT/PCMH Services | National CME Programs | Federal Grant | State / Regional Programs | Member Services | Assoc Mgt Services | SubTotal Program Services | General Admin | Fundraising (Grant Writing) | Grand Total |
|---------------------------------------|----------------------|-----------------------------|------------------|---------------------------------|--------------------|-----------------------|---------------------------------|------------------|-----------------------------------|----------------|
| TOTAL REVENUE | 5,000 | 82,323 | 106,116 | 250,569 | 392,068 | 919,037 | 1,755,114 | 157,914 | 0 | 1,913,027 |
| TOTAL EXPENSE | 5,310 | 72,261 | 106,116 | 251,729 | 216,834 | 751,852 | 1,404,102 | 507,389 | 9,769 | 1,921,260 |
| Change in Unrestricted Net Ass | (310) | 10,063 | (0) | (1,160) | 175,234 | 167,185 | 351,012 | (349,475) | (9,769) | (8,233) |

2) Final Statement for the Period Ended December 31, 2021

| | HTT/PCMH Services | National CME Programs | Federal Grant | State / Regional Programs | Member Services | Assoc Mgt Services | SubTotal Program Services | General Admin | Fundraising (Grant Writing) | Grand Total |
|---------------------------------------|----------------------|-----------------------------|------------------|---------------------------------|--------------------|-----------------------|---------------------------------|------------------|-----------------------------------|----------------|
| TOTAL REVENUE | 7,000 | 340,598 | 136,346 | 231,153 | 382,705 | 738,425 | 1,836,227 | 249,858 | 0 | 2,086,085 |
| TOTAL EXPENSE | 9,034 | 199,426 | 136,346 | 232,341 | 205,288 | 585,137 | 1,367,572 | 277,349 | 22,684 | 1,667,605 |
| Change in Unrestricted Net Ass | (2,034) | 141,172 | - | (1,188) | 177,417 | 153,288 | 468,655 | (27,491) | (22,684) | 418,481 |



AUDIT REPORT
FOR THE YEAR ENDED DECEMBER 31, 2021

**New Jersey Academy of Family Physicians
Audit Report
For the Year Ended December 31, 2021**

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619 Enterprise Drive | Oak Brook, Illinois 60523 | www.seldenfox.com
p 630.954.1400 | f 630.954.1327 | email@seldenfox.com

INDEPENDENT AUDITOR'S REPORT

Board of Directors
New Jersey Academy of Family Physicians
Trenton, New Jersey

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of **New Jersey Academy of Family Physicians**, which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of New Jersey Academy of Family Physicians as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards (*Government Auditing Standards*), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of New Jersey Academy of Family Physicians and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about New Jersey Academy of Family Physicians' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of New Jersey Academy of Family Physicians' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about New Jersey Academy of Family Physicians' ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary schedule of state assistance on page 18 is provided for 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 audit 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 schedule of state assistance is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2022, on our consideration of New Jersey Academy of Family Physicians' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of New Jersey Academy of Family Physicians' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering New Jersey Academy of Family Physicians' internal control over financial reporting and compliance.

Selden Fox, Ltd.

November 10, 2022

**New Jersey Academy of Family Physicians
Statement of Financial Position
For the Year Ended December 31, 2021**

Assets

| | |
|--------------------------------------|----------------------------|
| Cash | \$ 341,742 |
| Accounts receivable | 201,076 |
| Prepaid expenses | 12,980 |
| Investment in pooled investment fund | 135,675 |
| Property and equipment, net | <u>589,154</u> |
| Total assets | <u>\$ 1,280,627</u> |

Liabilities and Net Assets

Liabilities:

| | |
|--|----------------|
| Accounts payable and accrued expenses | \$ 546,563 |
| Agency funds held for National Conference on Emergency Medical Services | 123,567 |
| Note payable | 258,514 |
| Capital lease obligation | 16,317 |
| Deferred revenue | <u>300,935</u> |

| | |
|--------------------------|-----------|
| Total liabilities | 1,245,896 |
|--------------------------|-----------|

| | |
|--|---------------|
| Net assets, without donor restrictions | <u>34,731</u> |
|--|---------------|

| | |
|---|----------------------------|
| Total liabilities and net assets | <u>\$ 1,280,627</u> |
|---|----------------------------|

See independent auditor's report and accompanying notes.

**New Jersey Academy of Family Physicians
Statement of Activities
For the Year Ended December 31, 2021**

| | |
|---|------------------|
| Revenues: | |
| Membership dues | \$ 324,423 |
| Annual meeting | 45,091 |
| Healthcare transformation and education: | |
| National pharmaceutical grants | 340,598 |
| Federal grant | 136,346 |
| State grants | 225,796 |
| Other state and regional programs | 16,357 |
| Management services: | |
| Association management services | 738,425 |
| National Conference on Emergency Medical Services | 38,950 |
| Paycheck Protection Program | 195,345 |
| Employee retention credits | 252,136 |
| Net return on investments | 15,100 |
| Other | 9,654 |
| | <hr/> |
| Total revenues | 2,338,221 |
| | <hr/> |
| Expenses: | |
| Program services: | |
| Annual meeting | 50,055 |
| Healthcare transformation and education: | |
| National pharmaceutical grants | 204,784 |
| Federal grant | 136,345 |
| State grants | 226,984 |
| Other state and regional programs | 9,034 |
| Other membership services | 132,697 |
| | <hr/> |
| Total program services expenses | 759,899 |
| | <hr/> |
| Supporting services: | |
| Management and general | 506,094 |
| Association management services | 631,063 |
| Fund-raising and grant writing | 22,684 |
| | <hr/> |
| Total supporting services expenses | 1,159,841 |
| | <hr/> |
| Total expenses | 1,919,740 |
| | <hr/> |
| Change in net assets | 418,481 |
| | <hr/> |
| Net assets, beginning of the year | (383,750) |
| | <hr/> |
| Net assets, end of the year | \$ 34,731 |
| | <hr/> |

See independent auditor's report and accompanying notes.

New Jersey Academy of Family Physicians
Statement of Functional Expenses
For the Year Ended December 31, 2021

| | Program Services | | | | |
|-----------------------------------|--|---|--------------------------|-------------------------|--|
| | Healthcare Transformation and Education | | | | Other State and Regional Programs |
| | Annual Meeting | National Pharmaceutical Grants | Federal Grant | State Grants | |
| Salaries, wages and benefits | \$ 35,536 | \$ 73,785 | \$ 68,965 | \$ 129,748 | \$ 1,505 |
| Contractual and professional fees | 3,827 | 88,571 | 55,544 | 68,922 | 5,980 |
| Travel | - | - | - | 1,851 | 399 |
| Accreditation and licensing | 7,045 | 13,722 | - | 16,657 | - |
| Information technology | 1,717 | 28,206 | - | - | 1,150 |
| Utilities and maintenance | - | - | - | - | - |
| Printing, postage and supplies | 654 | - | 1,714 | 9,806 | - |
| Real estate taxes | - | - | - | - | - |
| Bank and credit card fees | 864 | - | - | - | - |
| Insurance | - | - | - | - | - |
| Interest | - | - | - | - | - |
| Depreciation | - | - | - | - | - |
| Other | 412 | 500 | 10,122 | - | - |
| | <u>\$ 50,055</u> | <u>\$ 204,784</u> | <u>\$ 136,345</u> | <u>\$ 226,984</u> | <u>\$ 9,034</u> |

See independent auditor's report and accompanying notes.

| Supporting Services | | | | | | | |
|---------------------------------|-------------------|---------------------------|---------------------------------------|--------------------------------------|---------------------|---------------------|--|
| Other Membership Services | Subtotal | Management and General | Association Management Services | Fund-raising and Grant Writing | Subtotal | Total | |
| \$ 58,010 | \$ 367,549 | \$ 291,314 | \$ 507,687 | \$ 22,684 | \$ 821,685 | \$ 1,189,234 | |
| 62,273 | 285,117 | 27,722 | 117,821 | - | 145,543 | 430,660 | |
| 122 | 2,372 | 7,708 | 396 | - | 8,104 | 10,476 | |
| 2,520 | 39,944 | 32,247 | 492 | - | 32,739 | 72,683 | |
| - | 31,073 | 2,364 | 80 | - | 2,444 | 33,517 | |
| - | - | 46,948 | - | - | 46,948 | 46,948 | |
| - | 12,174 | 3,526 | 46 | - | 3,572 | 15,746 | |
| - | - | 24,543 | - | - | 24,543 | 24,543 | |
| 8,105 | 8,969 | 2,883 | - | - | 2,883 | 11,852 | |
| 242 | 242 | 11,130 | - | - | 11,130 | 11,372 | |
| - | - | 18,659 | - | - | 18,659 | 18,659 | |
| - | - | 20,174 | - | - | 20,174 | 20,174 | |
| 1,425 | 12,459 | 16,876 | 4,541 | - | 21,417 | 33,876 | |
| \$ 132,697 | \$ 759,899 | \$ 506,094 | \$ 631,063 | \$ 22,684 | \$ 1,159,841 | \$ 1,919,740 | |

New Jersey Academy of Family Physicians
Statement of Cash Flows
For the Year Ended December 31, 2021

| | |
|--|-------------------|
| Cash flows from operating activities: | |
| Change in net assets | \$ 418,481 |
| Adjustments to reconcile change in net assets to net cash from operating activities: | |
| Reinvested dividends and interest, net of investment management fees | (3,183) |
| Net gain on investment in pooled investment fund | (11,851) |
| Depreciation of property and equipment | 20,174 |
| Change in operating assets and liabilities: | |
| Accounts receivable | 36,293 |
| Prepaid expenses | 2,045 |
| Accounts payable and accrued expenses | 92,279 |
| Agency funds held for National Conference on Emergency Medical Services | 123,567 |
| Deferred revenue | (314,475) |
| | <u>363,330</u> |
| Net cash from operating activities | <u>363,330</u> |
| Cash flows from financing activities: | |
| Repayment of note payable | (37,486) |
| Payments under capital lease obligation | (2,517) |
| | <u>(40,003)</u> |
| Net cash from financing activities | <u>(40,003)</u> |
| Net change in cash | 323,327 |
| Cash, beginning of the year | <u>18,415</u> |
| Cash, end of the year | <u>\$ 341,742</u> |

See independent auditor's report and accompanying notes.

New Jersey Academy of Family Physicians Notes to the Financial Statements

1. Nature of Organization

New Jersey Academy of Family Physicians (NJAFP) is a nonprofit organization whose mission is to promote excellence in the standards and practice of family medicine to benefit the citizens of the state of New Jersey. This is accomplished through:

- Promoting the importance of the patient/physician relationship
- Assisting men and women entering the practice of medicine
- Promoting and supporting continuing medical education
- Enhancing the image of family medicine in the state of New Jersey
- Promoting family medicine objectives before various legislative bodies
- Promoting and increasing awareness in the practice of family medicine with students

NJAFP is the largest primary care medical society in the state of New Jersey and a chapter of the American Academy of Family Physicians (AAFP).

2. Summary of Significant Accounting Policies

Basis of Accounting – The financial statements have been prepared on the accrual basis of accounting and are designed to focus on NJAFP as a whole, with balances and transactions presented according to the existence or absence of donor-imposed restrictions as follows:

Net Assets Without Donor Restrictions – Net assets which are available for fulfillment of NJAFP's mission and which may be expended at the discretion of management and the Board of Directors.

Net Assets With Donor Restrictions – Net assets which are subject to donor imposed restrictions. Some restrictions could be temporary in nature, such as those that will be met by the actions of NJAFP or the passage of time, while some restrictions could be perpetual in nature, in that a donor has stipulated the funds be maintained in perpetuity.

Contributions received with donor restrictions that are met in the same year as received, including those that were initially considered conditional in nature, that is those with a measurable performance or other barrier and a right of return, are reported as increases in net assets without donor restrictions. All other donor-restricted contributions are reported as increases in net assets with donor restrictions and released if and when the related restriction expires, that is, when the stipulated purpose has been fulfilled, the stipulated time has elapsed or both. The net return on investments is reported as a change in net assets without donor restrictions unless restricted by explicit donor stipulation or law. NJAFP reported no assets with donor restrictions at December 31, 2021.

Use of Estimates – The preparation of financial statements in accordance 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 period. Actual amounts could differ from these estimates.

Accounts Receivable – Accounts receivable are stated at their net collectible amount. NJAFP does not charge interest or late fees on amounts past due. Based on its analysis, NJAFP considers all accounts receivable to be reasonably collectible. Accordingly, no allowance for doubtful accounts has been provided for. Management's periodic evaluation of the collectability of an account is based on NJAFP's past experience, known and inherent risks in the accounts, adverse situations that may affect a borrower's ability to repay, and current economic conditions. The delinquency of accounts is based upon past due status in accordance with payment terms.

New Jersey Academy of Family Physicians Notes to the Financial Statements (cont'd)

2. Summary of Significant Accounting Policies (cont'd)

Investment in Pooled Investment Fund – The investment in a pooled investment fund is valued at net asset value (NAV) as a practical expedient, which estimates fair value. The NAV is based on the fair value of the underlying investments held by the fund less its liability as its reported by the fund. Investment earnings on the pool are allocated monthly on a prorated basis representative of NJAFP's overall percentage of ownership in the fund.

The underlying investments of the fund are subject to various risks, including interest rate, market, and credit risks. Due to these risks, it is at least reasonably possible that subsequent changes in the value of the underlying investments may occur and materially affect the fair value of NJAFP's investment in the fund and net assets reported on the statement of financial position.

Property and Equipment – Property and equipment is stated at cost with depreciation provided on a straight-line basis over the estimated useful lives of the assets, ranging from 5 years for furniture, fixtures, and equipment to 40 years for buildings and improvements.

Revenue Recognition – The recognition of revenue is determined based on whether an activity is classified as a contribution or exchange transaction.

Contributions and grants, representing unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. For federal and state grants subject to reimbursement arrangements, that are considered to have a performance measure or other barrier, this means revenue is recognized on an incremental basis as the related expenses are incurred.

On the other hand, revenue from exchange transactions, representing contracts with customers, is recognized when promised goods and services are transferred in an amount that reflects the consideration the organization expects to be entitled in exchange for those goods or services. Based on the nature of the organization, NJAFP receives the majority of its contract revenue in advance or at the time of the related performance obligation(s). However, in certain instances payment may not be received until after the fact. In those instances, NJAFP has elected the practical expedient that allows it not to recognize a significant financing component as it anticipates payment will be received within one year of transferring the related goods or services. In addition, NJAFP has applied the practical expedients to account for revenues with similar characteristics as a collective group, rather than individually, and not to disclose the transaction price allocated to unsatisfied performance obligations as of the end of the reporting period as the performance obligations generally relate to contracts with an original term of one year or less.

Significant sources of revenue include the following:

Membership Dues – Membership dues, representing exchange transactions, are assessed by NJAFP on a calendar year basis, but collected by AAFP and remitted to NJAFP on a monthly basis based on the previous month's receipts. Once received by NJAFP, the dues are recognized ratably over the applicable membership year. Accordingly, any amounts received in advance of a membership year represent contract liabilities and are classified as deferred revenue in the statement of financial position.

Annual Meeting – NJAFP's annual meeting, *FamMed Forum*, is typically held in June, the registration, exhibit, sponsorship, and other revenues for which, representing exchange transactions are considered to contain a single performance obligation such that they are recognized at the time the event takes place.

New Jersey Academy of Family Physicians Notes to the Financial Statements (cont'd)

2. Summary of Significant Accounting Policies (cont'd)

Revenue Recognition (cont'd)

Healthcare Transformation and Education:

National Pharmaceutical Grants – National Pharmaceutical Grants, representing exchange transactions, are typically advanced and deferred upon receipt, and recognized as revenue on the input method as the related expenses are incurred which is when the related conditions are subsequently met. Upon completing all grant deliverables and reconciling the funded status, any remaining funds are either returned to the grantor, as obligated under the related grant agreement, or retained by NJAFP and recognized as revenue.

Federal and State Grants – Cost reimbursable federal and state grants, representing conditional promises to give, are billed on a quarterly basis and recognized as revenue on the input method as the related expenses are incurred. At December 31, 2021, NJAFP had secured \$106,116 and \$139,048 of federal and state grants, respectively for which applicable expenditures had yet to be incurred.

Other State and Regional Programs – Revenue from consulting and contractual arrangements, representing exchange transactions, are typically billed and recognized monthly on the output method as the related services are performed fulfilling NJAFP's performance obligations.

Management Services – NJAFP provides management services to Lutine Management Services, LLC and the New Jersey Department of Health as discussed in Note 10, the revenues for which, representing exchange transactions, are typically billed and recognized monthly on the output method as the related services are performed fulfilling NJAFP's performance obligations.

Based on the nature of the organization, aside from general pricing and timing matters, management does not believe there are any significant factors which should be considered regarding the nature, amount, or uncertainty of the related revenues or cash flows, aside from those related to the COVID-19 coronavirus pandemic discussed in Note 13.

Paycheck Protection Program Revenue – In February 2021, NJAFP obtained a \$195,345 unsecured promissory note under the Additional Coronavirus Response and Relief (ACRR) provisions of the Consolidated Appropriations Act (CAA) of 2021. Under the terms of the CAA, the note was eligible for forgiveness of certain criteria, including the incurrence of qualifying expenses over an 8 to 24 week coverage period after which any required payments could be deferred for an additional 10 months while a forgiveness determination could be made. Any amounts not forgiven could then be repaid over a five year period from the disbursement date at an interest rate of 1%.

NJAFP has elected to account for the loan proceeds as a grant under ASC Subtopic 958-605, which allows for revenue to be recognized when conditions surrounding the cancellation of a liability, such as a forgivable loan have been substantially met or have been explicitly waived by the resource provider. While its forgiveness application was submitted and approved in April 2022, based on its belief qualified expenses were incurred in 2021, NJAFP has recognized the related forgiveness as Paycheck Protection Program (PPP) revenue in the statement of activities. However, NJAFP remains subject to a potential audit of its application for forgiveness and any disallowed claims from such could become a liability to NJAFP.

New Jersey Academy of Family Physicians Notes to the Financial Statements (cont'd)

2. Summary of Significant Accounting Policies (cont'd)

Functional Allocation of Expenses – The costs of program and supporting services have been summarized on a functional basis in the statement of activities but are detailed by their natural classification in the statement of functional expenses. In doing so, salaries, wages and benefits have been allocated based on employees' documented time and effort, while other costs, such as contractual and professional fees, have been allocated based among the program and supporting services benefited. Most remaining expenses are charged to reflect the direct costs associated with running NJAFP's various programs or providing for its supporting services, with any indirect costs classified as a management and general expense.

Income Taxes – NJAFP is exempt from income taxes under Section 501(c)(6) of the Internal Revenue Code, except to the extent of any net unrelated business income in excess of a \$1,000 specific deduction. After taking into account a \$116,996 net operating loss carryforward and the \$1,000 specific deduction, net unrelated business income from management services totaled \$28,249 for the year ended December 31, 2021. Although NJAFP has determined it is not required to record a liability for any uncertain tax positions as of December 31, 2021, and has received no notice of exam, NJAFP's tax returns for the years ended December 31, 2018 through 2020, remain subject to examination.

Subsequent Events – Subsequent events have been evaluated through November 10, 2022, which is the date the financial statements were available to be issued.

3. Investment in Pooled Investment Fund

At December 31, 2021, NJAFP had a \$135,672 investment in the AAFP Pooled Investment Fund, L.P. (Fund), for which it is a limited partner. As of December 31, 2021, this represented an approximate 0.1% interest in the Fund, whose underlying investments consist of approximately 71% equity funds and 29% fixed income funds. Investment income, including gain and losses, are allocated monthly to the fund partners based on the relationship of the fair value of the interest of their account to the total fair value of the pooled investment fund, as adjusted for additions to or deductions from those accounts. NJAFP has the ability to redeem its interest in the Fund on a daily basis, without notification.

For the year ended December 31, 2021, NJAFP's net return on investments, including that allocated by the Fund as well as any interest earned on bank deposits, consisted of the following:

| | |
|-------------------------|------------------|
| Interest and dividends | \$ 3,471 |
| Net gain on investments | 11,851 |
| Management fees | <u>(222)</u> |
| | <u>\$ 15,100</u> |

New Jersey Academy of Family Physicians
Notes to the Financial Statements (cont'd)

4. Property and Equipment

Property and equipment at December 31, 2021, consisted of the following:

| | |
|---|-------------------|
| Land | \$ 274,366 |
| Buildings and improvements | 461,787 |
| Furniture, fixtures and equipment (including \$20,579 under capital lease) | <u>47,123</u> |
| | 783,276 |
| Accumulated depreciation | <u>(194,122)</u> |
| | <u>\$ 589,154</u> |

5. Note Payable

NJAFP has a mortgage note with a financial institution, due in monthly installments of \$4,244, including interest at 4.75% through November 2027. Under the note, NJAFP may be subject to a declining prepayment charge of up to 3% for any prepayments on the note prior to December 2022. The lender also has the right to call the note with 90 days' written notice between September 2022 and February 2023. The note is secured by a mortgage on NJAFP's real property with a net book value of \$570,086 at December 31, 2021. Future minimum principal payments on the note at December 31, 2021, without acceleration or call, are as follows:

| | |
|------|-------------------|
| 2022 | \$ 38,673 |
| 2023 | 40,673 |
| 2024 | 42,777 |
| 2025 | 44,990 |
| 2026 | 47,317 |
| 2027 | <u>44,084</u> |
| | <u>\$ 258,514</u> |

Interest expensed and paid on the note for the year ended December 31, 2021, totaled \$13,436.

New Jersey Academy of Family Physicians
Notes to the Financial Statements (cont'd)

6. Capital Lease

In January 2020, NJAFP entered into an agreement to lease certain photocopy equipment under the terms of a capital lease. The lease provides for monthly payments of \$645 from February 2020 through April 2025 with future minimum lease payments at December 31, 2021, as follows:

| | |
|--------------------------|------------------|
| 2022 | \$ 7,740 |
| 2023 | 7,740 |
| 2024 | 7,740 |
| 2025 | <u>2,580</u> |
| Subtotal | 25,800 |
| Imputed interest | <u>(9,483)</u> |
| Capital lease obligation | <u>\$ 16,317</u> |

The lease is secured by the related photocopy equipment with a cost of \$20,579 and a net book value of \$14,405. Total payments on the leases totaled \$7,740 in 2021, including imputed interest of \$5,223.

7. Contract Revenues and Balances

Revenue for the year ended December 31, 2021, consisted of the following:

| | Contract Revenue | | Other Revenue | |
|--|------------------------------|---------------------|-------------------|---------------------|
| | Earned at a Point in Time | Earned Over Time | Sources | Total |
| Membership dues | \$ - | \$ 324,423 | \$ - | \$ 324,423 |
| Annual meeting | 45,091 | - | - | 45,091 |
| Healthcare transformation and education: | | | | |
| National pharmaceutical grants | - | 340,598 | - | 340,598 |
| Federal grant | - | - | 136,346 | 136,346 |
| State grants | - | - | 225,796 | 225,796 |
| Other state and regional programs | - | 16,357 | - | 16,357 |
| Management services: | | | | |
| Association management services | - | 738,425 | - | 738,425 |
| National Conference on Emergency Medical Services | - | 38,950 | - | 38,950 |
| Paycheck Protection Program | - | - | 195,345 | 195,345 |
| Employee retention credits | - | - | 252,136 | 252,136 |
| Net return on investments | - | - | 15,100 | 15,100 |
| Other | 9,654 | - | - | 9,654 |
| | <u>\$ 54,745</u> | <u>\$ 1,458,753</u> | <u>\$ 824,723</u> | <u>\$ 2,338,221</u> |

New Jersey Academy of Family Physicians
Notes to the Financial Statements (cont'd)

7. Contract Revenues and Balances (cont'd)

Accounts receivable and deferred revenue at December 31, affecting the cash flow of these revenue sources consisted of the following:

| | <u>2021</u> | <u>2020</u> |
|--------------------------------|-------------------|-------------------|
| Accounts receivable: | | |
| Membership dues | \$ 69,244 | \$ 86,122 |
| Federal and state grants | 71,353 | 102,427 |
| Other | <u>60,479</u> | <u>48,820</u> |
| | <u>\$ 201,076</u> | <u>\$ 237,369</u> |
| Deferred revenue: | | |
| Membership dues | \$ 165,370 | \$ 170,379 |
| National pharmaceutical grants | 90,898 | 431,496 |
| Other | <u>44,667</u> | <u>13,535</u> |
| | <u>\$ 300,935</u> | <u>\$ 615,410</u> |

8. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, at December 31, 2021, are comprised of the following:

| | |
|---|-------------------|
| Cash | \$ 341,742 |
| Accounts receivable | 201,076 |
| Investment in pooled investment fund | <u>135,675</u> |
| Total financial assets | 678,493 |
| Less agency funds held for National Conference on Emergency Medical Services | <u>(123,567)</u> |
| | <u>\$ 554,926</u> |

In addition to these financial assets, NJAFP maintains liquidity as a significant portion of its revenues are collected in advance of the related performance obligations.

9. Benefit Plan

NJAFP has established a 401(k) Plan in which substantially all full and certain part-time employees having attained age 21 may participate. Under the plan, employees may contribute a portion of their compensation up to the limits established by the Internal Revenue Service. The plan provides for safe-harbor matching contributions by NJAFP equal to the first three percent of an employee's compensation and 50% of the next two percent of an employee's compensation. NJAFP may also make discretionary contributions to the plan on behalf of eligible employees. Employees are immediately vested in their deferrals and any safe-harbor matching contributions, while employees become vested in discretionary contributions by NJAFP over a period of six years.

NJAFP's contributions to the Plan on behalf of its employees for the year ended December 31, 2021, totaled \$27,688.

New Jersey Academy of Family Physicians Notes to the Financial Statements (cont'd)

10. Management Services

Related Party – In 2014, NJAFP's Executive Vice President organized Lutine Management Services, LLC (Lutine) to provide other state chapters and similar organizations with management services on an outsourced basis. Lutine has entered into a management services agreement with NJAFP to utilize the NJAFP's personnel as needed to assist in providing such management services. In exchange for these services, NJAFP is entitled to receive a monthly management fee based on the respective clients served. Management services provided to Lutine totaled \$738,425 for the year ended December 31, 2021, while amounts due from Lutine totaled \$45,331 at December 31, 2021.

Collaborative Arrangement – The New Jersey Department of Health (NJDOH) has entered into a collaborative arrangement with NJAFP to coordinate, plan, and manage the National Conference on Emergency Medical Services. Under the arrangement, NJAFP is responsible for the collection of all registration and sponsorship revenues, and the payment of the related conference expenses. In exchange, NJAFP is entitled to receive a management fee, which totaled \$38,950 for the year ended December 31, 2020.

11. New Jersey Academy of Family Physicians Foundation

The New Jersey Academy of Family Physicians Foundation (NJAFP/F) works to support the advancement of family medicine through research, education, student interest, and academic achievement. NJAFP/F is an exempt organization under Section 501(c)(3) of the Internal Revenue Code, managed by an independent board of directors. NJAFP/F receives limited management services from NJAFP.

12. Significant Concentrations

Deposits – From time to time, NJAFP maintains cash on deposit with a financial institution in excess of FDIC insurance limits. Such uninsured deposits totaled \$115,885 at December 31, 2021.

Revenue – For the year ended December 31, 2021, NJAFP received:

- 31.6% of its revenue from association management services provided to Lutine.
- 11.6% of its revenue from the state of New Jersey either through state grants, managing the National Conference on Emergency Medical Services, or healthcare transformation and education programs.
- 19.1% of its revenue from nonrecurring Payroll Protection Program and employee retention credit revenues.

Changes in revenues received from these parties could have a significant impact on NJAFP's operations.

13. Risks and Uncertainties

COVID-19 Pandemic – As a result of the COVID-19 coronavirus pandemic, there are ongoing economic uncertainties that exist which could have a material, adverse impact on NJAFP. Given the pandemic, NJAFP transitioned its June 2020 and April 2021 annual meetings to a virtual format, thus affecting the related revenues and expenses. However, NJAFP was pleased to host its April 2022 annual meeting as a live event in Atlantic City. While management continues to monitor the situation, any effects the pandemic may have on future meetings (including any related commitments for services or accommodations), membership, or NJAFP's overall operations are uncertain at this time.

New Jersey Academy of Family Physicians Notes to the Financial Statements (cont'd)

13. Risks and Uncertainties (cont'd)

Going Concern Matters – These financial statements have been prepared on a going concern basis, which contemplates the realization of assets and satisfaction of liabilities in the normal course of operations. Based on a significant improvement in NJAFP's financial position based on the stabilization of its operations and Payroll Protection Program and employee retention credit revenues received as the result of the COVID-19 pandemic, the going concern doubts that existed in prior reporting periods have been alleviated as of December 31, 2021.

14. Future Changes in Accounting Principles

In February 2016, the Financial Accounting Standards Board released Accounting Standards Update No. 2016-02, *Leases (Topic 842)*. The revised standard is intended to increase transparency by recognizing lease assets and liabilities on the statement of financial position and enhancing the related disclosures. Under current standards, a lease was only recognized on the statement of financial position if it met the definition of a capital lease. However, under the new standard, a lessee will be required to:

- Recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, in the statement of financial position.
- Recognize a single lease cost, calculated so that the cost of the lease is allocated over the lease term on a generally straight-line basis.
- Classify all cash payments within operating activities in the statement of cash flows.

In doing so, an entity must separate lease components from nonlease components (such as maintenance services) and include only the lease components in the measurement of the right-to-use asset and lease liability. This standard will be applicable to NJAFP for the year ending December 31, 2022. NJAFP is in the process of evaluating the potential impacts of its adoption but has yet to determine its effect.

**New Jersey Academy of Family Physicians
Schedule of State Assistance
For the Year Ended December 31, 2021**

| <u>Grant / Agreement</u> | <u>Grant Period</u> | <u>Federal Assistance Listing Number</u> | <u>Total Grant Award</u> | <u>Previous Expenditures</u> | <u>Current Expenditures</u> |
|--|---------------------|--|----------------------------------|----------------------------------|---------------------------------|
| New Jersey Department of Health: | | | | | |
| Diabetes Prevention and Control: | | | | | |
| DCHS21DPC006 | 10/20 - 06/21 | 93.426 | \$ 163,000 | \$ 48,968 | \$ 114,032 |
| DCHS22DPC010 | 07/21 - 06/22 | 93.426 | 75,000 | - | <u>37,879</u> |
| Total Diabetes Prevention and Control | | | | | <u>151,911</u> |
| Heart and Stroke: | | | | | |
| DCHS22H&S010 | 07/21 - 06/22 | 93.426 | 45,000 | - | <u>15,455</u> |
| Total Heart and Stroke | | | | | <u>15,455</u> |
| Immunization Services: | | | | | |
| EPID21IMM003 | 07/20 - 06/21 | 93.628 | 40,000 | 21,188 | 18,812 |
| EPID22IMM008 | 07/21 - 06/22 | 93.628 | 52,000 | - | <u>21,372</u> |
| Total Immunization Services | | | | | <u>40,184</u> |
| Diabetes Capacity Building: | | | | | |
| DCHS22DCB003 | 10/21 - 06/22 | 93.991 | 60,000 | - | <u>18,246</u> |
| Total Diabetes Capacity Building | | | | | <u>18,246</u> |
| Total State Assistance | | | | | <u>\$ 225,796</u> |

See independent auditor's report.

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619 Enterprise Drive | Oak Brook, Illinois 60523 | www.seldenfox.com
p 630.954.1400 | f 630.954.1327 | email@seldenfox.com

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditor's Report

Board of Directors
New Jersey Academy of Family Physicians
Trenton, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of **New Jersey Academy of Family Physicians**, which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 10, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered New Jersey Academy of Family Physicians' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of New Jersey Academy of Family Physicians' internal control. Accordingly, we do not express an opinion on the effectiveness of New Jersey Academy of Family Physicians' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether New Jersey Academy of Family Physicians' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Selden Fox, Ltd.

November 10, 2022