

Report of the Treasurer
Presented: May 2, 2024
Statements for the Period Ending
09/30/2024
With 2023 Audit Report



New Jersey Academy of Family Physicians
Comparison Profit & Loss
Jan - Sep 2023 vs. Jan - Sep 2022

	Jan - Sep 23	Jan - Sep 22
Revenue		
4000 · REVENUE		
Total 4100 · Annual Meeting	82,089	43,790
Total 4200 · Membership Dues	315,205	318,926
4400 · Education Programs - (Non- S/A)		
4404 · Educational Grants/Contracts	3,500	8,000
4405 · Program Administration	45,842	7,661
4400 · Education Programs - (Non- S/A) - Other	1,000	-
Total 4400 · Education Programs - (Non- S/A)	50,342	15,661
4408 · State Grant Revenue	157,905	184,469
4409 · Federal Grant Revenue	-	106,118
4500 · Advertising Royalties	22,922	16,432
4600 · Association Mgt Revenue	689,102	698,116
4700 · Unrestricted Educational Grants	349,210	54,946
4900 · Miscellaneous	-	1,351
Total 4000 · REVENUE	1,666,774	1,439,808
Expense		
6000 · PROGRAM SERVICES		
6300 · ANNUAL MEETING/SA	89,834	47,930
6400 · FED GRANT EXPENSES	-	106,116
6500 · STATE GRANT EXPENSES	162,240	187,253
6700 · COMMITTEE MTGS/ACTIVITIES	4,687	4,615
6900 · EDUCATION/PROG./WKSHPs	297,106	46,252
Total 6000 · PROGRAM SERVICES	553,866	392,166
7105 · GENERAL OFFICE	117,955	109,540
7190 · Corporate taxes	29,597	250
7191 · Sales Tax Expense	1,947	1,965
7200 · INFORMATION SYSTEMS	34,962	41,139
7600 · STAFF	815,116	745,808
7800 · CONSULTING/PROF. FEES		
7810 · Lobbyist	49,500	49,500
7830 · Other	98,421	100,881
Total 7800 · CONSULTING/PROF. FEES	147,921	150,381
7835 · Membership Services	805	-
7860 · RESIDENT ACTIVITIES	-	1,298
7880 · CAMPAIGN EXPENSES	250	-
7885 · TRAVEL - NJAFP Exec, Staff	14,259	5,402
7886 · Travel - NJAFP President	838	-
7893 · Ass'n Mgt Expense	26,620	403
7960 · STAFF DISCRETIONARY	109	213
Total 7000 · General and Adm Expenses	1,190,379	1,056,399
Total Expense	1,744,244	1,448,567
Net Ordinary Revenue	(77,471)	(8,759)
Other Revenue/Expense		
8909 · AAFP Trust Fund	6,392	(30,279)
8960 · Interest Income - Commerce	140	33
Total 8900 · INVESTMENT REVENUE	6,532	(30,246)
Net Other Revenue	6,532	(30,246)
Net Revenue	(70,939)	(39,005)

New Jersey Academy of Family Physicians
Comparison Balance Sheet
As of Sep 30, 2023 vs Sep 30, 2022

	Sep 30, 23	Sep 30, 22
ASSETS		
Current Assets		
Checking/Savings		
1005 · TD Bank Checking	6,048	2,240
1006 · TD Bank Money Market-6556	207,799	535,696
1007 · TD Checking - NCEMS - 4659	59,651	79,330
1008 · NJAFP-NCEMS MMKT - 0563	220,814	-
1010 · AAFP Trust Fund	120,885	105,396
Total Checking/Savings	615,198	722,663
Total Accounts Receivable	163,318	211,703
Other Current Assets		
1100 · CURRENT ASSETS		
1150 · PrePaid Expenses	189,409	148,887
1190 · Petty Cash on Hand	520	230
Total 1100 · CURRENT ASSETS	189,929	149,117
Total Current Assets	968,444	1,083,483
Fixed Assets		
1200 · FIXED ASSETS		
1207 · Capital Lease Equip	20,579	20,579
1210 · Computer	25,794	25,794
1220 · Accum Depreciation	(212,938)	(194,122)
1230 · Furniture	750	750
1249 · Land	274,366	274,366
1250 · Building	461,787	461,787
Total 1200 · FIXED ASSETS	570,338	589,154
Total Fixed Assets	570,338	589,154
TOTAL ASSETS	1,538,782	1,672,637
LIABILITIES & EQUITY		
Liabilities		
Current Liabilities		
Accounts Payable		
Accounts Payable	37,417	243,774
Total Credit Cards	-	-
Other Current Liabilities		
1330 · Deferred Income		
2331 · Prepaid dues	29,550	33,415
2332 · Deferred Program Revenue	-	40,269
2333 · Deferred EMS Revenue	347,154	367,302
1330 · Deferred Income - Other	-	-
Total 1330 · Deferred Income	376,704	440,986
1405 · Deferred Grant Income	881,717	746,635
Total Other Current Liabilities	1,258,420	1,187,621
Total Current Liabilities	1,295,837	1,431,395
Long Term Liabilities		
Total 2600 · Mortgage	188,423	229,199
2610 · Capital Lease - Copier	12,950	16,317
Total Long Term Liabilities	201,373	245,516
Total Liabilities	1,497,210	1,676,911
Equity		
3001 · Fund Balance	112,511	34,731
Net Revenue	(70,939)	(39,005)
Total Equity	41,573	(4,274)
TOTAL LIABILITIES & EQUITY	1,538,782	1,672,637

New Jersey Academy of Family Physicians
Comparative Statement of Functional Allocation of Revenue and Expense

1) Statement for the Period ended September 30, 2023

	HTT/PCMH Services	Nat'l CME Programs	Fed Grant	State / Regional	Membership Services	Association Mgt Services	SubTotal Program Svcs	General Admin	Fundraising (Grant Writing)	Grand total
Total Revenue	0	349,210	0	157,905	424,715	689,102	1,620,932	52,373	0	1,673,306
Total Expense	0	270,419	0	162,240	235,386	683,501	1,351,546	380,990	11,709	1,744,244
Change in Unrestricted Net Assets	0	78,790	0	(4,335)	189,330	5,601	269,386	(328,617)	(11,709)	(70,939)

2) Statement for the Period ended September 30, 2022

	HTT/PCMH Services	Nat'l CME Programs	Fed Grant	State / Regional Programs	Membership Services	Association Mgt Services	SubTotal Program Svcs	General Admin	Fundraising (Grant Writing)	Grand Total
Total Revenue	5,000	47,610	106,118	191,805	382,298	698,116	1,430,947	(21,385)	0	1,409,562
Total Expense	2,737	38,505	106,118	194,231	183,612	545,238	1,070,441	372,754	5,372	1,448,567
Change in Unrestricted Net Assets	2,263	9,105	(0)	(2,426)	198,686	152,878	360,506	(394,139)	(5,372)	(39,005)



AUDIT REPORT
FOR THE YEAR ENDED DECEMBER 31, 2022

**New Jersey Academy of Family Physicians
Audit Report
For the Year Ended December 31, 2022**

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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, 2022, 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, 2022, 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 17 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 13, 2023, 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 13, 2023

**New Jersey Academy of Family Physicians
Statement of Financial Position
For the Year Ended December 31, 2022**

Assets	
Cash	\$ 602,101
Accounts receivable	314,896
Prepaid expenses	23,446
Investment in pooled investment fund	114,493
Property and equipment, net	<u>570,338</u>
Total assets	\$ 1,625,274
Liabilities and Net Assets	
Liabilities:	
Accounts payable and accrued expenses	\$ 406,607
Agency funds held for National Conference on Emergency Medical Services	25,629
Note payable	219,181
Finance lease obligation	12,950
Deferred revenue	<u>848,396</u>
Total liabilities	1,512,763
Net assets, without donor restrictions	<u>112,511</u>
Total liabilities and net assets	\$ 1,625,274

See independent auditor's report and accompanying notes.

**New Jersey Academy of Family Physicians
Statement of Activities
For the Year Ended December 31, 2022**

Revenues:	
Membership dues	\$ 325,509
Annual meeting	43,990
Healthcare transformation and education grants:	
Federal grant	106,116
State grants	241,291
Pharmecutical and other grants	145,275
Association and event management services	1,146,352
Net return on investments	(21,092)
Other	42,619
Total revenues	2,030,060
Expenses:	
Program services:	
Membership services and annual meeting	179,093
Healthcare transformation and education:	
Federal grant programs	106,117
State grant programs	241,469
Other programs	79,517
Total program services expenses	606,196
Supporting services:	
Management and general	323,998
Association and event management services	1,013,778
Fund-raising and grant writing	8,308
Total supporting services expenses	1,346,084
Total expenses	1,952,280
Change in net assets	77,780
Net assets, beginning of the year	34,731
Net assets, end of the year	\$ 112,511

See independent auditor's report and accompanying notes.

**New Jersey Academy of Family Physicians
Statement of Functional Expenses
For the Year Ended December 31, 2022**

	Program Services				Subtotal
	Membership Services and Annual Meeting	Healthcare Transformation and Education			
		Federal Grants Programs	State Grant Programs	Other Programs	
Salaries, wages and benefits	\$ 39,493	\$ 33,591	\$ 143,664	\$ 32,836	\$ 249,584
Contractual and professional fees	69,200	63,886	75,794	32,336	241,216
Travel	8,485	-	1,728	930	11,143
Venue, food, and beverage	42,147	-	-	-	42,147
Accreditation and licensing	244	-	14,285	6,313	20,842
Information technology	2,946	-	-	5,977	8,923
Utilities and maintenance	-	-	-	-	-
Printing, postage and supplies	1,182	-	5,998	-	7,180
Real estate taxes	-	-	-	-	-
Bank and credit card fees	10,299	-	-	-	10,299
Insurance	242	-	-	-	242
Unrelated business taxes	-	-	-	-	-
Interest	-	-	-	-	-
Depreciation	-	-	-	-	-
Other	4,855	8,640	-	1,125	14,620
	\$ 179,093	\$ 106,117	\$ 241,469	\$ 79,517	\$ 606,196

See independent auditor's report and accompanying notes.

Supporting Services

Management and General	Association and Event Management Services	Fund-raising and Grant Writing	Subtotal	Total
\$ 104,833	\$ 851,395	\$ 8,308	\$ 964,536	\$ 1,214,120
28,356	107,112	-	135,468	376,684
5,680	-	-	5,680	16,823
3,420	-	-	3,420	45,567
30,799	386	-	31,185	52,027
9,580	-	-	9,580	18,503
44,070	-	-	44,070	44,070
7,534	222	-	7,756	14,936
25,113	-	-	25,113	25,113
2,622	-	-	2,622	12,921
11,453	-	-	11,453	11,695
-	35,435	-	35,435	35,435
15,964	-	-	15,964	15,964
18,816	-	-	18,816	18,816
15,758	19,228	-	34,986	49,606
\$ 323,998	\$ 1,013,778	\$ 8,308	\$ 1,346,084	\$ 1,952,280

**New Jersey Academy of Family Physicians
Statement of Cash Flows
For the Year Ended December 31, 2022**

Cash flows from operating activities:	
Change in net assets	\$ 77,780
Adjustments to reconcile change in net assets to net cash from operating activities:	
Reinvested dividends and interest, net of investment management fees	(2,938)
Net loss on investment in pooled investment fund	24,120
Depreciation of property and equipment	18,816
Change in operating assets and liabilities:	
Accounts receivable	(113,820)
Prepaid expenses	(10,466)
Accounts payable and accrued expenses	(139,956)
Agency funds held for National Conferene on Emergency Medical Services	(97,938)
Deferred revenue	547,461
Net cash from operating activities	<u>303,059</u>
Cash flows from financing activities:	
Repayment of note payable	(39,333)
Payments under finance lease obligation	(3,367)
Net cash from financing activities	<u>(42,700)</u>
Net change in cash	260,359
Cash, beginning of the year	<u>341,742</u>
Cash, end of the year	<u>\$ 602,101</u>
Supplemental cash flow information - unrelated business income taxes paid	<u>\$ 11,892</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, 2022.

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 between April and 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 Grants:

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, 2022, NJAFP had secured \$142,684 of state grants, for which applicable expenditures had yet to be incurred.

Pharmaceutical and Other Grants – Pharmaceutical and other 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.

Association and Event 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.

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 \$27,520 net operating loss carryforward and the \$1,000 specific deduction, net unrelated business income from association and event management services totaled \$139,490 for the year ended December 31, 2022. Although NJAFP has determined it is not required to record a liability for any uncertain tax positions as of December 31, 2022, and has received no notice of exam, NJAFP's tax returns for the years ended December 31, 2019 through 2021, remain subject to examination.

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

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

Adoption of New Accounting Pronouncement – In February 2016, the Financial Accounting Standards Board (FASB) released Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. This pronouncement was intended to increase transparency by recognizing lease assets and liabilities on the statement of financial position and enhancing the related disclosures for periods beginning after December 15, 2021. NJAFP elected to adopt the standard using the optional transition method, which allows for it to initially apply the standard at the adoption date and recognize a cumulative adjustment to net assets in the period of adoption, if applicable. In adopting the standard, NJAFP also elected to adopt the package of practical expedients available under the related transition guidance permitting it not to reassess historical lease classifications included in leases at the point of adoption, prior conclusions relating to initial direct costs, and whether any expired or existing contracts contain leases. Upon adopting the standard on January 1, 2022, NJAFP's capital leases under legacy accounting guidance are now considered finance leases. However, the adoption of the standard had no effect on NJAFP's change in net assets or cash flows for the year ended December 31, 2022, and no cumulative adjustment to the opening balance of net assets was required.

Subsequent Events – Subsequent events have been evaluated through November 13, 2023, which is the date the financial statements were available to be issued.

3. Investment in Pooled Investment Fund

At December 31, 2022, NJAFP had a \$114,493 investment in the AAFP Pooled Investment Fund, L.P. (Fund), for which it is a limited partner. As of December 31, 2022, this represented an approximate 0.1% interest in the Fund, whose underlying investments consist of approximately 69% equity funds and 31% 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, 2022, 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	\$	3,220
Net loss on investments		(24,120)
Management fees		(192)
		(21,092)
	\$	(21,092)

4. Property and Equipment

Property and equipment at December 31, 2022, consisted of the following:

Land	\$	274,366
Buildings and improvements		461,787
Furniture, fixtures and equipment		47,123
		783,276
Accumulated depreciation		(212,938)
	\$	570,338

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

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 was potentially subject to a prepayment charge for any prepayments on the note prior to December 2022. The lender also had the right to call the note with 90 days' written notice between September 2022 and February 2023, which did not occur. The note is secured by a mortgage on NJAFP's real property with a net book value of \$558,258 at December 31, 2022. Future minimum principal payments on the note at December 31, 2022, without acceleration, are as follows:

2023		\$	40,673
2024			42,777
2025			44,990
2026			47,317
2027			43,424
			43,424
		\$	219,181

Interest expensed and paid on the note for the year ended December 31, 2022, totaled \$11,591.

6. Finance Lease

In January 2020, NJAFP entered into an agreement to lease certain photocopy equipment under the terms of a finance lease. The lease provides for monthly payments of \$645 from February 2020 through April 2025 with future minimum lease payments at December 31, 2022, as follows:

2023		\$	7,740
2024			7,740
2025			2,580
			2,580
Subtotal			18,060
Imputed interest at 29.4%			(5,110)
			(5,110)
Finance lease obligation		\$	12,950

The lease is secured by the related photocopy equipment and represents a right of use asset, for which the related cost of \$20,579 and accumulated depreciation of \$10,290 have been included in net property and equipment in the statement of financial position as of December 31, 2022. While payments on the lease totaled \$7,740 in 2022, finance lease expense recognized for the year ended December 31, 2022 totaled \$8,489, consisting of \$4,373 of interest expense on the lease liability and \$4,116 of depreciation on the right to use asset.

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

7. Contract Revenues and Balances

Revenue for the year ended December 31, 2022, consisted of the following:

	Contract Revenue			Total
	Earned at a Point in Time	Earned Over Time	Other Revenue Sources	
Membership dues	\$ -	\$ 325,509	\$ -	\$ 325,509
Annual meeting	43,990	-	-	43,990
Healthcare transformation and education grants:				
Federal grant	-	-	106,116	106,116
State grants	-	-	241,291	241,291
Pharmaceutical and other grants	-	145,275	-	145,275
Association and event management services	-	1,146,352	-	1,146,352
Net return on investments	-	-	(21,092)	(21,092)
Other	25,619	4,000	13,000	42,619
	<u>\$ 69,609</u>	<u>\$ 1,621,136</u>	<u>\$ 339,315</u>	<u>\$ 2,030,060</u>

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

	2022	2021
Accounts receivable:		
Membership dues	\$ 71,253	\$ 69,244
Federal and state grants	56,822	71,353
Association and event management services	177,149	45,331
Other	9,672	15,148
	<u>\$ 314,896</u>	<u>\$ 201,076</u>
Deferred revenue:		
Membership dues	\$ 164,590	\$ 165,370
Pharmaceutical and other grants	683,806	120,830
Other	-	14,735
	<u>\$ 848,396</u>	<u>\$ 300,935</u>

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

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, 2022, are comprised of the following:

Cash	\$ 602,101
Accounts receivable	314,896
Investment in pooled investment fund	<u>114,493</u>
Total financial assets	1,031,490
Less agency funds held for National Conference on Emergency Medical Services	<u>(25,629)</u>
	<u>\$ 1,005,861</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, 2022, totaled \$25,643.

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

10. Association and Event 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 \$927,809 for the year ended December 31, 2022, while amounts due from Lutine totaled \$33,149 at December 31, 2022.

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 and the reimbursement of certain personnel costs, which totaled \$218,543 for the year ended December 31, 2022.

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 \$420,849 at December 31, 2022.

Revenue – For the year ended December 31, 2022, NJAFP received:

- 45.7% of its revenue from association management services provided to Lutine.
- 23.2% of its revenue from the state of New Jersey either through state grants, managing the National Conference on Emergency Medical Services, or other healthcare transformation and education programs.

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

13. Commitments and Contingencies

Future Conferences – NJAFP has entered into contracts for services and accommodations for future conferences. These contracts include penalty clauses which would require AAOHN to pay certain amounts if a conference was cancelled or if attendance was less than the original commitment.

**New Jersey Academy of Family Physicians
Schedule of State Assistance
For the Year Ended December 31, 2022**

Grant / Agreement	Grant Period	Federal Assistance Listing Number	Total Grant Award	Previous Expenditures	Current Expenditures
New Jersey Department of Health:					
Diabetes Prevention and Control:					
DCHS22DPC010	07/21 - 06/22	93.426	\$ 75,000	\$ 37,879	\$ 37,121
DCHS23DPC006	07/22 - 06/23	93.426	107,304	-	<u>45,329</u>
Total Diabetes Prevention and Control					<u>82,450</u>
Heart and Stroke:					
DCHS22H&S010	07/21 - 06/22	93.426	45,000	15,455	29,545
DCHS23H&S008	07/22 - 06/23	93.426	35,768	-	<u>17,482</u>
Total Heart and Stroke					<u>47,027</u>
Immunization Services:					
EPID22IMM008	07/21 - 06/22	93.628	52,000	21,372	30,628
EPID23IMM004	07/22 - 06/23	93.628	52,000	-	<u>26,559</u>
Total Immunization Services					<u>57,187</u>
Diabetes Capacity Building:					
DCHS22DCB003	10/21 - 06/22	93.991	60,000	18,246	41,754
DCHS23DCB003	10/22 - 06/23	93.991	49,855	-	<u>12,873</u>
Total Diabetes Capacity Building					<u>54,627</u>
Total State Assistance					<u>\$ 241,291</u>

See independent auditor's report.

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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, 2022, 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 13, 2023.

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 13, 2023