

Beta Alpha Psi
Financial Statements
and Independent Auditor's Report
April 30, 2021 and 2020

Beta Alpha Psi

Index

	<u>Page</u>
Independent Auditor's Report	2
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Notes to Financial Statements	6

Independent Auditor's Report

To the Board of Directors
Beta Alpha Psi

We have audited the accompanying financial statements of Beta Alpha Psi, which comprise the statements of financial position as of April 30, 2021 and 2020, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Beta Alpha Psi as of April 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Parsippany, New Jersey
July 30, 2021

Beta Alpha Psi

**Statements of Financial Position
April 30, 2021 and 2020**

	<u>Assets</u>	<u>2021</u>	<u>2020</u>
Current assets			
Cash and cash equivalents		\$ 2,639,119	\$ 2,298,399
Investments		99,909	749,891
Accounts and other receivables		64,601	44,742
Prepaid expense and other assets		62,603	45,912
Total current assets		2,866,232	3,138,944
Long-term assets			
Investments		-	99,835
Website development, net of accumulated amortization of \$272,230 and \$267,573		9,128	7,905
Total		<u>\$ 2,875,360</u>	<u>\$ 3,246,684</u>
	<u>Liabilities and Net Assets</u>		
Liabilities			
Accounts and other payables		\$ 64,385	\$ 873,166
Unearned revenue		348,813	315,210
Total liabilities		413,198	1,188,376
Net assets			
Without donor restrictions		2,384,739	2,009,337
With donor restrictions		77,423	48,971
Total net assets		2,462,162	2,058,308
Total		<u>\$ 2,875,360</u>	<u>\$ 3,246,684</u>

See Notes to Financial Statements.

Beta Alpha Psi

Statements of Activities Years Ended April 30, 2021 and 2020

	2021	2020
Changes in net assets without donor restrictions		
Revenue and support		
Chapter fees	\$ 651,138	\$ 698,398
Annual and regional meetings	76,295	442,377
Professional partners and other contributions	211,838	216,273
Interest income	12,563	31,985
Contributed services	56,025	52,576
Net assets released from restrictions	184,885	303,077
Total revenue and other support without donor restrictions	1,192,744	1,744,686
Expenses		
Program expenses		
Chapter programs	68,651	97,511
Annual and regional meetings	105,016	1,261,602
Awards	213,400	249,957
Total program expenses	387,067	1,609,070
Supporting services		
Contributed services	56,025	52,576
General and administrative	374,250	214,181
Total supporting services	430,275	266,757
Total expenses	817,342	1,875,827
Change in net assets without donor restrictions	375,402	(131,141)
Change in net assets with donor restrictions		
Contributions	213,337	234,500
Net assets released from restrictions	(184,885)	(303,077)
Change in net assets with donor restrictions	28,452	(68,577)
Change in net assets	403,854	(199,718)
Net assets, beginning	2,058,308	2,258,026
Net assets, end	\$ 2,462,162	\$ 2,058,308

See Notes to Financial Statements.

Beta Alpha Psi

Statements of Cash Flows
Years Ended April 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Change in net assets	\$ 403,854	\$ (199,718)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Amortization	4,657	2,635
Changes in operating assets and liabilities		
Accounts and other receivables	(19,859)	(30,844)
Prepaid expenses and other assets	(16,691)	220
Accounts and other payables	(808,781)	785,507
Unearned revenue	33,603	(50,897)
	<u>(403,217)</u>	<u>506,903</u>
Net cash provided by (used in) operating activities		
Cash flows from investing activities		
Capital expenditures	(5,880)	(10,540)
Proceeds from maturity of investments	749,817	991,120
Purchases of investments	-	(780,205)
	<u>743,937</u>	<u>200,375</u>
Net cash provided by investing activities		
Net increase in cash and cash equivalents	340,720	707,278
Cash and cash equivalents, beginning	<u>2,298,399</u>	<u>1,591,121</u>
Cash and cash equivalents, end	<u><u>\$ 2,639,119</u></u>	<u><u>\$ 2,298,399</u></u>

See Notes to Financial Statements.

Beta Alpha Psi

Notes to Financial Statements April 30, 2021 and 2020

Note 1 - Purpose and summary of accounting policies

Purpose

Beta Alpha Psi (the "Organization" or "BAP") is a not-for-profit international honor and service organization for accounting, finance, and business analytics and digital technology students at "AACSB" (Association to Advance Collegiate Schools of Business) or EQUIS (European Quality Improvement System) accredited universities. The Organization provides opportunities for development of technical and professional skills to complement university education; participation in community service; and interaction among students, faculty and professionals. The Organization's objectives are accomplished through the activities of its chapters. Financial resources to promote these activities are provided by the chapters and various public and private firms.

Accounting method

The accompanying financial statements are prepared on the accrual basis of accounting.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and cash equivalents

The Organization considers instruments with an original maturity of 90 days or less when purchased to be cash equivalents. As of April 30, 2021 and 2020, the Organization's cash equivalents consisted primarily of money market funds.

Investments

Short and long-term investments at April 30, 2021 and 2020 consist of certificates of deposit with varying maturity lengths. Certificates of deposit with maturities of greater than 90 days, but less than one year, are considered short-term. Certificates of deposit with maturities greater than one year from the current fiscal year-end are considered held long-term.

Concentrations of credit risk

Financial instruments, which potentially subject the Organization to concentrations of credit risk, include cash and cash equivalents and investments. The Organization considers investments with an original maturity of 90 days or less when purchased to be cash equivalents. At times, for the years ended April 30, 2021 and 2020, balances on deposit at financial institutions exceeded Federal Deposit Insurance Corporation ("FDIC") insured limits. Cash equivalent amounts invested in the sweep investment accounts are not insured nor guaranteed by the FDIC. The Organization maintains its cash with high quality financial institutions which the Organization believes limits these risks.

Accounts and other receivables

Credit risk with respect to accounts and other receivables is limited because the Organization deals with a large number of members in a wide geographic area. The Organization closely monitors the extension of credit to its members. On a periodic basis, the Organization evaluates its accounts and other receivables and establishes an allowance for doubtful accounts, based on a history of past write-offs and collections and current credit considerations. As of April 30, 2021 and 2020, the Organization has no significant concentrations of credit risk and there is no allowance for doubtful accounts established as management believes that all amounts are collectible.

Beta Alpha Psi

Notes to Financial Statements April 30, 2021 and 2020

Website development costs

All costs incurred in planning the development of a website are expensed as incurred. Costs, other than general and administrative and overhead costs, incurred in the website application and infrastructure development stage, which involve acquiring or developing hardware and software to operate the website, are capitalized. Fees paid to an Internet service provider for hosting a website on its server(s) connected to the Internet are expensed over the estimated period of benefit. Other costs incurred during the operating stage, such as training, administration and maintenance costs, are expensed as incurred. Costs incurred during the operating stage for upgrades and enhancements of a website are capitalized if it is probable that they will result in added functionality. Capitalized website development costs are amortized on a straight-line basis over their estimated useful life. The unamortized costs remaining as of April 30, 2021 and 2020 represent outsourced costs associated with new site development and enhancements. Impairment analysis is performed when triggering events occur for finite-lived intangibles. As of April 30, 2021 and 2020, there have been no indicators of impairment.

Net assets

The Organization's financial resources have been combined into two net asset classes (without and with donor restrictions) based upon stipulations imposed by donors.

Net assets without donor restrictions include expendable resources over which the Organization's Board of Directors has discretionary control and are used to carry out the Organization's operations in accordance with its by-laws.

Net assets with donor restrictions include resources expendable only for those purposes specified by a donor or grantor. The restrictions are satisfied by specific expenditures of the Organization.

Contributed services

The Organization recognizes contribution revenue for certain contributed services received at the fair value of those services. Those services include attest services, facilities and organizational support valued at \$56,025 and \$52,576 for the years ended April 30, 2021 and 2020, respectively, furnished by CohnReznick LLP, by the Association of International Certified Professional Accountants (the "Association") and the American Institute of Certified Public Accountants (the "AICPA"). See Note 6 for additional services provided by the Association and AICPA. In addition, a significant amount of time, for which no value has been assigned as it does not meet the criteria for recognition, was volunteered by professionals, professors and students to the activities of the Organization.

Revenue recognition

Chapter fees

Revenue consists of member dues and chapter maintenance fees. Dues revenue from members and chapters include access to a multitude of benefits. Access to these benefits is voluntary, can occur during the membership period, and are treated as a single performance obligation. The Organization recognizes revenue over the membership period. Payments for member dues and chapter maintenance fees are due upon initiation and at the beginning of the membership period, respectively.

For membership-based revenue recognized over time, the straight-line method is used to allocate the performance obligations over the performance measurement period. The Organization determined that this method provides a faithful depiction of the transfer of goods or services because the customer is required to pay regardless of how frequently the product or membership benefits are used, and the Organization stands ready to make its goods or services available to the customer on a constant basis over the contract period.

Beta Alpha Psi

Notes to Financial Statements April 30, 2021 and 2020

Annual and regional meetings

Revenue received from the annual conference, regional meetings, and other in-person or virtually held conferences is recognized on the date in which the event occurs. Payments for annual conference, regional meetings, and conferences are due upon registration for individual events.

Contributions

Contributions of cash and other assets received are recorded as increases in net assets with or without donor restrictions depending on the existence and nature of any donor restrictions.

In accordance with ASU 2018-08, the Organization determines if grants and similar contracts with resource providers should be accounted as contributions or exchange transactions. If it is determined that external resource providers do not receive commensurate value in return, the transactions are deemed nonreciprocal and should be accounted as contributions.

In addition, the Organization evaluates whether a contribution is conditional which affects the timing of the revenue recognized. Unconditional contributions are recognized immediately and classified as either net assets with donor restrictions or net assets without donor restrictions. Conditional contributions received are accounted for as a liability initially, until the barriers to entitlement are overcome, at which point the transaction is recognized as unconditional and classified as either net assets with restrictions or net assets without restrictions.

All net assets with donor restrictions are reported as increases in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is met), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from donor restrictions. Contributions consist of amounts received from professional partners as annual support for the Organization, as well as for various awards and programs as detailed in Note 5.

From time-to-time, the Organization acts as agent on behalf of donors wishing to make contributions to specific third parties. In cases where the Organization acts as agent on behalf of its professional partners, the Organization records a liability for the amount to be paid to the specified beneficiary. For the year ended April 30, 2021, the Organization acted as agent on behalf of KPMG and the KPMG Foundation, whereby Beta Alpha Psi received donations of \$15,000 stipulated for specific beneficiaries in relation to the Community Service Day program. As of April 30, 2021, no amounts remained due to beneficiaries where the Organization acted as agent on behalf of donors.

Income taxes

Beta Alpha Psi is a not-for-profit organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and has been classified as a charitable organization that qualifies for the maximum charitable contribution deduction by donors.

The Organization has no unrecognized tax benefits at April 30, 2021 and 2020. The Organization's federal income tax returns prior to fiscal year ended April 30, 2018 are closed and management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

As of April 30, 2021 and 2020, the Organization did not incur any interest and penalties associated with tax matters.

Beta Alpha Psi

Notes to Financial Statements April 30, 2021 and 2020

Cost allocations

Management has reviewed all overhead costs and determined that it is appropriate to allocate a portion of these costs to the program expenses. Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. Administrative salaries are allocated on the basis of total employee time. Travel expenses and the AICPA administrative fee are allocated based on estimated usage by the different programs.

Subsequent events

The Organization has evaluated subsequent events through July 30, 2021, the date which the financial statements were available to be issued.

Note 2 - Liquidity resources

Beta Alpha Psi's primary revenue sources to fund its operations come from student fees, professional partners contributions and Chapter fees. The Organization has sources of liquidity at its disposal, including cash and investments, that it has acquired over time.

The following table reflects the Organization's financial assets as of April 30, 2021 and 2020, reduced by amounts that are not available to meet general expenditures within one year of the statements of financial position date because of donor restrictions.

	2021	2020
Cash and cash equivalents	\$ 2,639,119	\$ 2,298,399
Investments	99,909	849,726
Receivables, net	64,601	44,742
Total financial assets	2,803,629	3,192,867
Net assets with donor restrictions	77,423	48,971
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,726,206</u>	<u>\$ 3,143,896</u>

Note 3 - Investments

Investments consist of the following:

	2021	2020
Certificates of deposit - short-term	\$ 99,909	\$ 749,891
Certificates of deposit - long-term	-	99,835
Total	<u>\$ 99,909</u>	<u>\$ 849,726</u>

The certificates of deposit are valued at cost plus accrued interest.

Beta Alpha Psi

Notes to Financial Statements April 30, 2021 and 2020

Note 4 - Website development

Investment in website development, at cost, consists of the following as of April 30, 2021 and 2020:

	2021	2020	Estimated useful lives
Website development	\$ 281,358	\$ 275,478	3 years
Less accumulated amortization	<u>272,230</u>	<u>267,573</u>	
Total	<u>\$ 9,128</u>	<u>\$ 7,905</u>	

Amortization expense was \$4,657 and \$2,635 for the years ended April 30, 2021 and 2020, respectively.

The estimated aggregate amortization expense in each of the fiscal years subsequent to April 30, 2021 is as follows:

2022	\$ 5,373
2023	2,962
2024	<u>793</u>
	<u>\$ 9,128</u>

Note 5 - Net assets with donor restrictions

Net assets with donor restrictions were released from restrictions in fiscal years 2021 and 2020 in fulfillment of the following purposes:

	2021	2020
Best Practices Awards	\$ 27,500	\$ 28,625
Outstanding Faculty Advisor Awards	20,000	30,000
Community Service Day	-	59,000
Superior Chapter Awards	87,000	77,000
Inclusive Leadership Awards	8,250	13,250
Project Run With It and Program Expenses	11,135	46,702
Gold Challenge Awards	25,000	22,500
Ethics Awards	-	20,000
Business Information Professional of the Year Awards	<u>6,000</u>	<u>6,000</u>
Total	<u>\$ 184,885</u>	<u>\$ 303,077</u>

All net assets with donor restrictions are restricted for use for specific program activities in future periods.

Beta Alpha Psi

Notes to Financial Statements April 30, 2021 and 2020

Net assets with donor restrictions as of the end of the fiscal year consist of funds restricted for the following purposes:

	2021	2020
Best Practices Awards	\$ 13,625	\$ 11,125
Outstanding Faculty Advisor Awards	3,800	3,800
Superior Chapter Awards	150	150
Inclusive Leadership Awards	15,000	23,250
Project Run With It and Program Expenses	-	3,298
Community Service Day	34,848	2,348
The Dean's List Award - Student Travel	10,000	5,000
Total	<u>\$ 77,423</u>	<u>\$ 48,971</u>

Net assets with donor restrictions

Best Practices Awards

Best practices are activities created and completed by a chapter to further specific goals identified by the Board of Directors of Beta Alpha Psi and by Deloitte LLP. These activities exemplify the spirit and purpose of Beta Alpha Psi and, if applicable, allow other chapters to emulate those activities. Cash awards of up to \$30,000 are provided to winning chapters of the Best Practice Award.

Outstanding Faculty Advisor Awards

The Outstanding Faculty Advisor awards are presented to up to five faculty advisors who go above and beyond the requirements of a faculty advisor. The recipients of the Outstanding Faculty Advisor Awards are recognized in front of their chapter, their peers, and by the American Accounting Association. Outstanding faculty advisors also receive a plaque and a \$5,000 cash award in recognition of their achievements. RSM US LLP sponsors this award.

Gold Challenge Awards

Beta Alpha Psi recognizes that many chapters often go above and beyond what is required to become a Superior Chapter. In an effort to reward these chapters, the KPMG Foundation sponsors the KPMG Gold Challenge Competition. The competition lets BAP students put their multimedia skills to use by creating a five-minute video that explains and/or demonstrates why their chapter deserves the award or why a top student would want to become part of the BAP organization. Up to ten chapters receive a \$2,500 award and a plaque.

Superior Chapter Awards

Beta Alpha Psi recognizes chapters who have far exceeded the baseline requirements by achieving Superior status. Superior status is reached by having a minimum number of hours per students, attending the regional or annual meeting, participating in a set number of Reaching out activities, and for holding a professional session that includes the Essential Skills requirement. Superior chapters receive a \$500 award and a plate. KPMG LLP and KPMG Foundation sponsor this award.

Inclusive Leadership Awards

Chapters submit a written proposal outlining why developing inclusive leaders is important to the chapter in preparing them for the global workforce. Also, chapters provide a detailed strategy outlining how they will enhance diversity and provide opportunities for members to think, learn and act inclusively and include a detailed action plan that defines project objectives, desired outcomes

Beta Alpha Psi

Notes to Financial Statements April 30, 2021 and 2020

and how funds would be spent. Awards of \$500 to up to ten chapters to support the implementation of a proposed idea that will positively impact diversity and inclusiveness are given. Final awards of \$2,500 for one chapter, \$2,000 for one chapter, and \$1,250 for three chapters are awarded to those that have made a positive impact on diversity and inclusiveness within Beta Alpha Psi and/or their respective school or community. Final round winners also receive a plaque. EY LLP sponsors this award.

Ethics Awards

The Ethics Award seeks to encourage the members of Beta Alpha Psi and their communities to develop a solid ethical foundation and to empower them to act on these principles no matter the situation faced. Grant Thornton is proud to sponsor the Beta Alpha Psi Ethics Award with up to \$20,000 awarded annually. Final round winners also receive a plaque.

Project Run With It

Project Run With It furthers the community service component of Beta Alpha Psi and provides members and candidates with an opportunity to engage in a real-world consulting project. Selected nonprofit organizations are assisted with a particular topic. Students work in teams to find solutions. Moss Adams awards \$1,000 per chapter for winning team members. The chapter also receives a plaque recognizing the winning participants.

Community Service Day

Community Service Day is a way for Beta Alpha Psi students to give back to the community surrounding the annual meeting site, and to their own local communities when the annual meeting is virtual. KPMG and the KPMG Foundation sponsors the purchase of items such as school supplies, book donations, and meal kits to help with food insecurities in local children's organizations.

Business Information Professional of the Year Awards ("BIPOY")

Beta Alpha Psi annually presents the BIPOY awards to one professional in each of the following segments: education; industry and government; and professional services. Beta Alpha Psi chapters provide the nominations for this award to honor their own outstanding alumni members or honorary members. Award winners are recognized at the Beta Alpha Psi annual meeting and receive a plaque. Each winning chapter receives a \$2,000 award. The BIPOY Awards are sponsored by the Institute of Management Accountants.

The Dean's List Award - Student Travel

The Dean's List Award is for students who made the dean's list and qualify for a travel stipend to attend the annual meeting when held in person. Dr. Eric Jack, former board member, contributed \$10,000 towards this award.

Note 6 - Related party

General and administrative expenses include charges from the Association and AICPA for payroll, benefits, conference support and out-of-pocket expenses, which amounted to \$386,871 and \$402,506 for the years ended April 30, 2021 and 2020, respectively. For the year ended April 30, 2021, the Organization owed \$43,698 to the Association, which is included in accounts and other payables. For the year ended April 30, 2020, the Organization owed \$724,895 to the Association and \$51,341 to the AICPA. The net amount was included in accounts and other payables.

Beta Alpha Psi

Notes to Financial Statements April 30, 2021 and 2020

Note 7 - Functional expenses

The following tables present the natural classification detail of expense by function:

	2021				
	Awards	Chapter Programs	Supporting Services	Annual and Regional Meetings	Total
People Costs	\$ 39,650	\$ 57,963	\$ 175,274	\$ 46,612	\$ 319,499
Meetings and Travel	-	-	-	17,909	17,909
Professional Fees	-	-	66,949	-	66,949
Office Expense	-	9,805	6,129	12,877	28,811
Organizational Support	-	-	100	10,000	10,100
Promotion	-	-	1,475	-	1,475
Chapter Prizes	173,750	-	-	17,618	191,368
Amortization	-	-	4,657	-	4,657
Other	-	883	175,691	-	176,574
Total	<u>\$ 213,400</u>	<u>\$ 68,651</u>	<u>\$ 430,275</u>	<u>\$ 105,016</u>	<u>\$ 817,342</u>

	2020				
	Awards	Chapter Programs	Supporting Services	Annual and Regional Meetings	Total
People Costs	\$ 41,889	\$ 16,341	\$ 36,993	\$ 209,917	\$ 305,140
Meetings and Travel	1,427	75,929	1,206	827,008	905,570
Professional Fees	-	-	75,104	67,123	142,227
Office Expense	-	-	5,489	12,073	17,562
Organizational Support	-	-	1,643	69,000	70,643
Promotion	-	-	22,298	5,928	28,226
Chapter Prizes	197,375	-	-	24,119	221,494
Amortization	-	-	2,635	-	2,635
Other	9,266	5,241	121,389	46,434	182,330
Total	<u>\$ 249,957</u>	<u>\$ 97,511</u>	<u>\$ 266,757</u>	<u>\$ 1,261,602</u>	<u>\$1,875,827</u>

Note 8 - Subsequent events

In early 2020, an outbreak of a novel strain of coronavirus ("COVID-19") emerged globally. As a result, events have occurred domestically in the United States and globally, including mandates from federal, state, and local governments, leading to an overall decline in global economic activity. COVID-19 has impacted the financial performance of the Organization's operations; resulting in a decrease in revenues from dues and meetings year-over-year. Management has reduced expenses to the extent possible in order to limit the financial impact and are monitoring events carefully.



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