

**NASBA CENTER FOR THE
PUBLIC TRUST**

**INDEPENDENT AUDITORS' REPORT AND
FINANCIAL STATEMENTS**

JULY 31, 2021 and 2020

NASBA CENTER FOR THE PUBLIC TRUST

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INDEPENDENT AUDITORS' REPORT

To the Boards of Directors of NASBA and the
NASBA Center for the Public Trust
Nashville, Tennessee

We have audited the accompanying financial statements of the NASBA Center for the Public Trust (a nonprofit organization), which comprise the statements of activities and functional expenses for the years ended July 31, 2021 and 2020, the related statements of financial position as of July 31, 2021 and 2020, and cash flows for the years then ended, and the related notes to financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 audits 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 auditors' 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 changes in net assets of the NASBA Center for the Public Trust for the years ended July 31, 2021 and 2020, and the financial position as of July 31, 2021 and 2020 and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

LBMC, PC

Brentwood, Tennessee
September 23, 2021

NASBA CENTER FOR THE PUBLIC TRUST

STATEMENTS OF ACTIVITIES

For Years Ended July 31,
In thousands

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support						
Contributions	\$ 263	\$ 42	\$ 305	\$ 305	\$ 25	\$ 330
Services received from affiliate personnel	339	-	339	344	-	344
Programs	267	-	267	280	-	280
Investment income	-	31	31	1	6	7
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total revenue and support	869	73	942	930	31	961
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Program Expenses						
Ethics Advancement	212	-	212	195	-	195
Student Center for the Public Trust	260	-	260	274	-	274
Conferences	33	-	33	37	-	37
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total program expenses	505	-	505	506	-	506
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Supporting Expenses						
Administrative	72	-	72	70	-	70
Development	99	-	99	126	-	126
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total supporting expenses	171	-	171	196	-	196
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	676	-	676	702	-	702
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Increase in Net Assets	193	73	266	228	31	259
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net Assets, Beginning of Year	550	218	768	322	187	509
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net Assets, End of Year	\$ 743	\$ 291	\$ 1,034	\$ 550	\$ 218	\$ 768
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See Accompanying Notes to Financial Statements

NASBA CENTER FOR THE PUBLIC TRUST

STATEMENTS OF FUNCTIONAL EXPENSES

For Years Ended July 31,

In thousands

	Program Expenses				Supporting Expenses			Total
	Ethics Advancement	StudentCPT	Conferences	Total	Administrative	Development	Total	
2021								
Compensation	\$ 111	\$ 151	\$ 23	\$ 285	\$ 21	\$ 61	\$ 82	\$ 367
Benefits, taxes and other costs	36	49	7	92	8	20	28	120
Conference and meetings	-	2	-	2	-	-	-	2
Travel	-	-	-	-	-	-	-	-
Technology	1	23	-	24	3	1	4	28
Professional services	47	7	-	54	10	-	10	64
Credit card and other costs	2	7	-	9	2	-	2	11
Occupancy	10	13	3	26	2	6	8	34
Office	4	1	-	5	25	-	25	30
Marketing	-	7	-	7	-	1	1	8
Other	1	-	-	1	1	10	11	12
Total	\$ 212	\$ 260	\$ 33	\$ 505	\$ 72	\$ 99	\$ 171	\$ 676
2020								
Compensation	\$ 92	\$ 136	\$ 20	\$ 248	\$ 18	\$ 55	\$ 73	\$ 321
Benefits, taxes and other costs	49	70	10	129	10	32	42	171
Conference and meetings	1	2	-	3	-	16	16	19
Travel	2	10	1	13	-	4	4	17
Technology	3	22	-	25	2	1	3	28
Professional services	32	4	-	36	12	-	12	48
Credit card and other costs	2	6	-	8	2	1	3	11
Occupancy	8	14	4	26	2	4	6	32
Office	5	1	-	6	23	3	26	32
Marketing	1	9	1	11	-	-	-	11
Other	-	-	1	1	1	10	11	12
Total	\$ 195	\$ 274	\$ 37	\$ 506	\$ 70	\$ 126	\$ 196	\$ 702

See Accompanying Notes to Financial Statements

NASBA CENTER FOR THE PUBLIC TRUST

STATEMENTS OF FINANCIAL POSITION

July 31,
In thousands

	<u>2021</u>	<u>2020</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 747	\$ 321
Accounts receivable	18	17
Contributions receivable	51	26
Prepaid expenses	<u>2</u>	<u>19</u>
Total current assets	<u>818</u>	<u>383</u>
Investments and Other Assets		
Investment securities, at fair value	101	302
Endowment fund	<u>154</u>	<u>123</u>
Total investments and other assets	<u>255</u>	<u>425</u>
Total assets	<u><u>\$ 1,073</u></u>	<u><u>\$ 808</u></u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 22	\$ 23
Due to NASBA	<u>17</u>	<u>17</u>
Total liabilities	<u>39</u>	<u>40</u>
Net Assets		
Without donor restrictions	743	550
With donor restrictions	<u>291</u>	<u>218</u>
Total net assets	<u>1,034</u>	<u>768</u>
Total liabilities and net assets	<u><u>\$ 1,073</u></u>	<u><u>\$ 808</u></u>

See Accompanying Notes to Financial Statements

NASBA CENTER FOR THE PUBLIC TRUST

STATEMENTS OF CASH FLOWS

For Years Ended July 31,

In thousands

	2021	2020
Operating Activities		
Cash received from NASBA	\$ 150	\$ 150
Cash received from donors	104	154
Cash received for contributions receivable	26	27
Cash received from program revenue	267	275
Interest and dividends received	4	5
Cash paid for personnel, goods and services	(323)	(396)
Net cash provided by operating activities	228	215
Investing Activities		
Purchase of investment securities	(9)	(302)
Redemption of investment securities	210	100
Endowment reinvested dividends	(3)	(4)
Net cash provided (used) by investing activities	198	(206)
Net Increase in Cash and Cash Equivalents	426	9
Cash and Cash Equivalents, Beginning of Year	321	312
Cash and Cash Equivalents, End of Year	\$ 747	\$ 321
Reconciliation of increase in net assets to net cash provided by operating activities:		
Increase in net assets	\$ 266	\$ 259
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Gains on endowment investment securities	(28)	(2)
Changes in assets and liabilities		
Decrease (increase) in:		
Receivables	(26)	9
Prepaid expenses	17	-
Decrease in:		
Accounts payable and accrued liabilities	(1)	(42)
Due to NASBA	-	(9)
Net cash provided by operating activities	\$ 228	\$ 215

See Accompanying Notes to Financial Statements

**NASBA Center for the Public Trust
Notes to Financial Statements**

Note 1. Organization and Nature of Operations

The NASBA Center for the Public Trust ("CPT") is a nonprofit, public benefit corporation whose mission is to champion the public trust by advancing ethical leadership in business, institutions and organizations.

Ethics Advancement programs recognize individuals and organizations that practice high standards of social responsibility and ethical leadership and provide continuing professional education content for the same. The Student Center for the Public Trust ("StudentCPT") focuses on educating and engaging future business leaders on ethics, accountability and integrity through student membership groups at colleges and universities. CPT provides ethics leadership training and certification programs for students and professionals. In addition, CPT sponsors lectures, conferences and forums dedicated to addressing the duty of professionals to serve the public good, along with a focus on the issues that arise in the practical ethics of public life.

CPT is a membership organization of which the National Association of State Boards of Accountancy, Inc. ("NASBA") is its sole member. In both fiscal 2021 and 2020, NASBA provided annual support to CPT through monetary contributions of \$150,000. Included in the financial statements are the expenses for the cost of NASBA personnel who devote the majority of their time to CPT-related activities and for property and equipment, including office space, used by these personnel. These expenses are charged to, and reimbursed by, CPT at the cost incurred by NASBA. Also included in the financial statements are offsetting amounts of revenue and expense for the value of supporting services contributed by NASBA personnel in the areas of executive leadership, finance, information services, human resources, and marketing. The contribution of these services was valued at NASBA's cost of \$339,000 and \$344,000 in fiscal 2021 and 2020, respectively, and is reflected in the financial statements.

Note 2. Significant Accounting Policies

Basis of presentation

These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and cash equivalents

Cash equivalents include investments in money market funds in financial institutions which management believes are financially strong. Deposits are insured by the Federal Deposit Insurance Corporation ("FDIC") up to certain limits. From time to time, cash and cash equivalents may exceed FDIC limits. At July 31, 2021, the portion of the balance exceeding the FDIC insurance limits is \$171,000. CPT has not experienced any losses due to exceeding the FDIC insurance limits and management believes that CPT is not exposed to any significant credit risk related to cash and cash equivalents.

Contributions and accounts receivable

Contributions receivable are unconditional written promises to give which are recorded in the year the promise is made. Unconditional written promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. Contributions receivable are discussed more fully in Note 3.

The carrying amount of all receivables is evaluated and reduced by a valuation allowance, if necessary. The need for an allowance is determined based on management's knowledge of its contributors, customers, historical loss experience and existing economic conditions. Management has determined that no allowance is required at July 31, 2021 or 2020.

Prepaid expenses

Prepaid expenses consist primarily of software subscription services. The asset is expensed in the period to which the benefit applies.

NASBA Center for the Public Trust
Notes to Financial Statements

Note 2. Significant Accounting Policies (Continued)

Net assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor restrictions.

Net assets with donor restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, 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 restrictions. Net assets with donor restrictions are discussed more fully in Note 6.

Revenue and support recognition

Unconditional contributions are recognized as revenue when the contribution or pledge is received. Contributions with a condition stipulated by a donor are recognized as revenue when the condition is substantially met by CPT.

Revenue, other than contributions, consists of online training, conference services, merchandise sales, licensing of educational content, and student membership dues. Each of these services and merchandise sales have a single performance obligation. Revenue from online training, conference services, merchandise sales and licensing of content are recognized at a point in time. Revenue from membership dues is recognized as performance obligations are satisfied over time using the straight-line method.

Revenue and support recognition

The following schedule shows the nature, timing and related amounts in the statement of activities and statement of financial position from contracts with customers for fiscal 2021:

(In thousands)	Performance obligation met Recognition occurs	Revenue from contracts with customers
Online training	at the point access is provided to customer	\$ 260
Merchandise sales	at the point of shipment of merchandise	3
Licensing of content	at the point of delivery of content	3
Membership dues	over the term of the membership	1
Total Revenue		\$ 267

The following schedule shows the nature, timing and related amounts in the statement of activities and statement of financial position from contracts with customers for fiscal 2020:

(In thousands)	Performance obligation met Recognition occurs	Revenue from contracts with customers
Online training	at the point access is provided to customer	\$ 222
Conference services	at the point awards are presented at conference	20
Merchandise sales	at the point of shipment of merchandise	5
Licensing of content	at the point of delivery of content	30
Membership dues	over the term of the membership	3
Total Revenue		\$ 280

**NASBA Center for the Public Trust
Notes to Financial Statements**

Income taxes

CPT is exempt from federal and state income taxes under the provisions of Internal Revenue Code Section 501(c)(3) and applicable state tax statutes. CPT is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Internal Revenue Code.

CPT has adopted the recognition requirements for uncertain income tax positions and believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on CPT's financial position, results of operations or cash flows. Accordingly, CPT has accrued no interest or penalties related to uncertain tax positions at July 31, 2021 or 2020. It is CPT's policy to recognize interest and penalties related to income tax matters in other expense. In general, CPT is no longer subject to examinations by tax authorities for U.S. federal and state income tax returns before fiscal 2018.

Contributed services

CPT is a recipient of a Google Ads Grant which allows free access to the nonprofit edition of Google's advertising program and enables CPT to reach out directly to their target audience. Based on Google's estimates, the value of these advertising credits amounted to less than \$1,000 in fiscal 2021 and 2020 and are recognized as offsetting revenue and expense in the statements of activities.

Many individuals contribute their time to CPT's activities. The value of these individuals' services is not recorded in the financial statements because such services would typically not be purchased by CPT if they had not been provided by contribution. Meeting and travel expenses for these individuals are reimbursed by CPT.

Expense allocation method

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Expenses are allocated to the programs or functions on a reasonable basis that is consistently applied. Such allocations include occupancy, which is allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, office expenses, information technology, and other expenses, which are allocated based on the estimated time devoted to the program or function.

Note 3. Contributions Receivable

Contributions receivable, consisting of unconditional written promises to give at July 31, 2021 and 2020 total \$51,000 and \$26,000, respectively. All amounts are current and due in less than one year.

At July 31, 2021 and 2020, there are no contributions receivable which are restricted for the endowment.

Note 4. Endowment Fund

An endowment fund was established with donor-restricted funds and a related investment and spending policy with the objective of providing an income stream to fund endowment-related programs while seeking to maintain purchasing power of the endowment assets. Income generated from the endowment fund is restricted for the benefit of the Student Center for the Public Trust. The principal of the endowment fund will remain permanently invested and classified as net assets with donor restrictions.

Investment securities owned by CPT are required under the CPT Board-approved investment policy to meet certain criteria as to allowable asset classes and the composition of investments within those classes. Risk characteristics of the portfolio are managed through three primary asset classes of equity, fixed income and diversified investments. The diversified asset class contains investments that are not correlated with the equity and fixed income asset classes and are intended to provide anticipated risk-versus-return characteristics that are beneficial to the portfolio. CPT's investments are carried at fair value. Securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with investment securities, it is reasonably possible that changes in their value will occur in the near term and that such changes could be material to the financial statements. Additional information on fair value and the asset classes is disclosed in Note 5.

NASBA Center for the Public Trust
Notes to Financial Statements

Note 4. Endowment Funds (continued)

Under the endowment spending policy, the CPT Board of Directors may designate a portion of the cumulative investment return, including net appreciation, for support of the current operations of specified programs; the remainder is retained to support operations of future years and to offset potential market declines. Under the endowment spending policy, up to 5 percent of the rolling three-year average value of the portfolio as of December 31 for the three years prior to the current year may be appropriated for the next fiscal year. Investment income designated for current operations and used for the specified programs is classified as an increase in net assets without donor restrictions. Investment income in excess of amounts designated for current operations is classified as an increase in net assets with donor restrictions. Investment income is classified as net assets with donor restrictions for fiscal 2021 and 2020.

The following schedule summarizes the investment return in the statements of activities for the years ended July 31:

(In thousands)	2021	2020
Dividends and interest	\$ 4	\$ 4
Net realized and unrealized gains	27	2
Total return on investments	31	6
Investment return retained in the Endowment Fund	31	6
Investment return designated for current operations	\$ -	\$ -

In accordance with the Uniform Prudent Management of Institutional Funds Act, the contributions received for the endowment fund are included in net assets with donor restrictions. Changes in net assets related to the endowment for fiscal year ended July 31, 2021 are as follows:

(In thousands)	
Endowment net assets, beginning of year	\$ 123
Investment income (net of expenses)	31
Endowment Net Assets, End of Year	\$ 154

Changes in net assets related to the endowment for fiscal year ended July 31, 2020 are as follows:

(In thousands)	
Endowment net assets, beginning of year	\$ 117
Investment income (net of expenses)	6
Endowment Net Assets, End of Year	\$ 123

Note 5. Fair Value Measurement

Authoritative guidance clarifies the definition of fair value, establishes a framework for measuring fair value and expands the disclosures for fair value measurement. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

At July 31, 2021 and 2020, the valuation method used to determine fair value for Level 1 investment securities is the last reported sales price on the last business day of the fiscal year reported by the active markets in which the individual securities are traded. The valuation methods used for Level 2 investment securities are estimates using market-based measurements, such as quoted prices for similar assets, executed trades and yield curves, for U.S. Government and other debt obligations and, for managed pool accounts, the net asset value as reported by the investment company which is derived from the value of the underlying investments. There have been no changes in the valuation methods used.

NASBA Center for the Public Trust
Notes to Financial Statements

Note 5. Fair Value Measurement (continued)

The fair value of investment securities at July 31, 2021 is as follows:

(In thousands)	Level 1	Level 2	Total
Investment Securities			
Money market	\$ 101	\$ -	\$ 101
Total Investment Securities	\$ 101	\$ -	\$ 101

The fair value of investment securities at July 31, 2020 is as follows:

(In thousands)	Level 1	Level 2	Total
Investment Securities			
Money market	\$ 102	\$ -	\$ 102
Certificates of deposit	-	200	200
Total Investment Securities	\$ 102	\$ 200	\$ 302

The fair value of endowment fund investment securities, of which the entire amount is invested in Level 1 mutual funds, exchange-traded funds, money market funds and cash at July 31 is as follows:

(In thousands)	2021	2020
Endowment Fund		
Mutual Funds		
Equity securities	\$ 55	\$ 46
Fixed income securities	25	27
Diversified investments	20	17
Exchange-traded Funds		
Equity securities	53	32
Money market	1	1
Total Endowment Investments	\$ 154	\$ 123

Note 6. Net Assets With Donor Restrictions

Net assets with donor restrictions at July 31 are as follows:

(In thousands)	2021	2020
Time-restricted and purpose-restricted		
Endowment investment income	\$ 61	\$ 30
Purpose-restricted		
Daniels Fund project	3	3
Student Center for the Public Trust	134	92
Endowment fund	93	93
Total Net Assets With Donor Restrictions	\$ 291	\$ 218

At July 31, 2021 and 2020, net assets with donor restrictions are secured by cash, short-term receivables and investments.

NASBA Center for the Public Trust
Notes to Financial Statements

Note 7. Liquidity and Availability

The following schedule reflects CPT's financial assets as of July 31, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the date of the statement of financial position. Amounts not available include endowment fund earnings retained in the endowment fund that could be drawn upon if the governing board approves that action.

(In thousands)	2021	2020
Cash and cash equivalents	\$ 747	\$ 321
Accounts receivable	18	17
Contributions receivable	51	26
Investments	101	302
Endowment fund investments	154	123
Total financial assets, at year end	1,071	789
Less those unavailable for general expenditures within one year, due to:		
Donor-imposed restrictions:		
Endowment	(93)	(93)
Restricted by donor with time or purpose restrictions	(198)	(125)
Financial assets available to meet cash needs for general expenditures within one year	\$ 780	\$ 571

CPT is substantially supported by contributions with donor restrictions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, CPT must maintain sufficient resources to meet those responsibilities to its donors. As part of CPT's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. CPT invests excess cash in short-term and long-term certificates of deposits and mutual funds based on the anticipated time horizon of general expenditure requirements. If circumstances required expenditures that could not be funded through current financial assets, invested assets could be converted to cash with short notice. CPT's sole member, NASBA, supports CPT activities as part of its strategic mission and commitment to high ethical standards in matters of accounting and business leadership. In the past, NASBA's board has approved amounts in excess of its annual funding to assist CPT in meeting its short-term cash needs. In the event of an unanticipated liquidity need, it is likely that NASBA would provide financial support to assist CPT in meeting those needs.

As of the date this report was available to be issued, the United States, as well as many other countries, continue to experience an infectious disease (COVID-19) outbreak. While it is not possible to predict the future impacts of the outbreak on CPT's financial condition and results of operations, disruptions to key business drivers, such as customer demand, contributions and workforce are possible. As of the date of this report, CPT has not experienced any significant adverse effects. Management continues to closely monitor the situation and to respond in ways designed to mitigate such impacts.

Note 8. Subsequent Events

Management has evaluated all material events and transactions that occurred from the date of the financial statements through September 23, 2021, which is the date that the financial statements were available to be issued. There were no material subsequent events that required adjustments to or disclosure in the financial statements.