

**PUBLIC INTEREST RESEARCH GROUP
OF NEW JERSEY, INC. A/K/A NJPIRG
STUDENT CHAPTERS**

FINANCIAL STATEMENTS

July 31, 2012

**PUBLIC INTEREST RESEARCH GROUP OF NEW JERSEY, INC. A/K/A NJPIRG
STUDENT CHAPTERS**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Public Interest Research Group of New Jersey, Inc. a/k/a NJPIRG Student
Chapters

We have audited the accompanying statement of financial position of Public Interest Research Group of New Jersey, Inc. a/k/a NJPIRG Student Chapters ("Student Chapters"), as of July 31, 2012 and 2011, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of Student Chapters' management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Student Chapters as of July 31, 2012 and 2011, and the respective changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Mercadien, P.C.
Certified Public Accountants

June 11, 2013

- AN INDEPENDENTLY OWNED MEMBER,
MCGGLADREY ALLIANCE
- AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
- NEW JERSEY SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS
- NEW YORK SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS
- PENNSYLVANIA INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
- AICPA'S PRIVATE COMPANIES PRACTICE
SECTION
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PUBLIC INTEREST RESEARCH GROUP OF NEW JERSEY, INC. A/K/A NJPIRG STUDENT CHAPTERS

STATEMENT OF FINANCIAL POSITION
July 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 269,584	\$ 105,294
Investments	1,189,077	1,282,217
Accounts receivable	61,700	22,158
Loan receivable, current portion	3,000	3,000
Due from affiliates	-	935
Prepaid expenses	<u>1,225</u>	<u>627</u>
Total current assets	1,524,586	1,414,231
Loan receivable, net of current portion	6,000	9,000
Equipment and leasehold improvements	<u>7,724</u>	<u>4,019</u>
Total Assets	<u>\$ 1,538,310</u>	<u>\$ 1,427,250</u>
 LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 81,564	\$ 175,481
Due to affiliates	<u>141,102</u>	<u>138,352</u>
Total Liabilities	222,666	313,833
Net Assets	<u>1,315,644</u>	<u>1,113,417</u>
Total Liabilities and Net Assets	<u>\$ 1,538,310</u>	<u>\$ 1,427,250</u>

PUBLIC INTEREST RESEARCH GROUP OF NEW JERSEY, INC. A/K/A NJPIRG STUDENT CHAPTERS

STATEMENT OF ACTIVITIES
Years Ended July 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Support and revenues		
Student fees, Rutgers University	\$ 548,139	\$ 569,212
Contributions	624	-
Investment return	4,234	7,428
Other income	-	1,428
Total support and revenues	<u>552,997</u>	<u>578,068</u>
Expenses		
Salaries	109,070	117,761
Payroll taxes	10,261	11,443
Employee benefits	16,120	24,906
Dues	96,106	116,981
AmeriCorps cash grant match	65,861	63,518
Program development	16,249	86,110
Rent	13,559	14,138
Professional services	10,400	86,836
Office supplies and expenses	3,677	7,377
Travel	2,851	3,822
Telephone	2,199	3,730
Utilities	979	624
Depreciation and amortization	881	644
Insurance	762	1,189
Equipment maintenance	573	1,020
Grants given	524	338,750
Printing and reproduction	478	5,360
Postage	220	429
Advertising	-	385
Total expenses	<u>350,770</u>	<u>885,023</u>
Change in net assets	202,227	(306,955)
Net assets, beginning of year	<u>1,113,417</u>	<u>1,420,372</u>
Net assets, end of year	<u>\$ 1,315,644</u>	<u>\$ 1,113,417</u>

PUBLIC INTEREST RESEARCH GROUP OF NEW JERSEY, INC. A/K/A NJPIRG STUDENT CHAPTERS

STATEMENT OF CASH FLOWS
Years Ended July 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 202,227	\$ (306,955)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	881	644
Realized and unrealized loss (gain) on investments	2,140	(1,723)
Increase (decrease) in cash from		
Accounts receivable	(39,542)	103,239
Prepaid expenses	(598)	(377)
Accounts payable and accrued expenses	<u>(93,917)</u>	<u>(54,396)</u>
Net cash from operating activities	<u>71,191</u>	<u>(259,568)</u>
Cash Flows from Investing Activities		
Loan receivable	3,000	3,000
Purchases of equipment	(4,586)	(2,673)
Purchases of investments	(1,418,000)	(1,039,000)
Proceeds from sales of investments	<u>1,509,000</u>	<u>1,249,000</u>
Net cash from investing activities	<u>89,414</u>	<u>210,327</u>
Cash Flows from Financing Activities		
Advances from affiliates, net	<u>3,685</u>	<u>76,357</u>
Net change in cash and cash equivalents	164,290	27,116
Cash and cash equivalents, beginning of year	<u>105,294</u>	<u>78,178</u>
Cash and cash equivalents, end of year	<u>\$ 269,584</u>	<u>\$ 105,294</u>

See notes to financial statements.

PUBLIC INTEREST RESEARCH GROUP OF NEW JERSEY, INC. A/K/A NJPIRG STUDENT CHAPTERS

NOTES TO FINANCIAL STATEMENTS

A. NATURE OF ORGANIZATION

Public Interest Research Group of New Jersey, Inc. a/k/a NJPIRG Student Chapters ("Student Chapters") is a nonpartisan, non-profit organization that trains students to help them gain an educational experience in democratic citizenship, giving students a chance to face up to society's big problems, take action and win concrete changes that improve the quality of their lives. Students learn how to investigate a problem and come up with a practical solution, and also learn how to convince the media and decision makers to pay attention and take action.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of Student Chapters have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues and gains and losses are classified based on the existence or absence of donor-imposed restrictions.

Student Chapters is required to report information regarding its financial position and activities according to three classes of net assets:

- Unrestricted net assets - net assets not subject to donor-imposed stipulations.
- Temporarily restricted net assets - net assets subject to donor-imposed stipulations that will be met by actions of Student Chapters and/or by the passage of time.
- Permanently restricted net assets - net assets subject to donor-imposed stipulations that they be maintained permanently by Student Chapters. Generally, the donors of these assets permit Student Chapters to use all or part of the income earned on related investments for general or donor-specified purposes.

Student Chapters has no temporarily or permanently restricted net assets.

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.

Reclassifications

Certain reclassifications have been made to the 2011 Statement of Financial Position and Statement of Cash Flows to conform to the 2012 presentation.

Cash Equivalents

Cash equivalents include highly liquid debt instruments with original maturities of 90 days or less.

PUBLIC INTEREST RESEARCH GROUP OF NEW JERSEY, INC. A/K/A NJPIRG STUDENT CHAPTERS

NOTES TO FINANCIAL STATEMENTS

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments consist of certificates of deposit with original maturities in excess of 90 days. Investments are stated at fair value in the Statement of Financial Position. All interest and realized and unrealized gains and losses are reported in the Statement of Activities as increases or decreases in unrestricted net assets.

Fair Value Measurements

Valuation techniques used to measure fair value are prioritized into the following hierarchy:

Level 1 - Determined using quoted market prices in active markets for identical assets and liabilities.

Level 2 - Determined using quoted market prices in active markets for similar assets and liabilities, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant inputs are observable in the market for substantially the full term of the assets or liabilities.

Level 3 - Determined using inputs that are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The market for assets and liabilities using level 3 measures is typically inactive.

Accounts Receivable, Loan Receivable and Due from Affiliates

Student Chapters considers all accounts receivable, loan receivable and amounts due from affiliates to be fully collectible; accordingly, no allowance for uncollectible amounts is required. If amounts become uncollectible, they will be charged to the change in net assets when that determination is made.

Equipment and Leasehold Improvements

Equipment and leasehold improvements in excess of \$500 are capitalized as assets and recorded at cost, except for donated items, which are recorded at the fair value on the date of donation. Depreciation is computed by the straight-line method over the estimated useful lives of the assets, which are five to seven years for equipment and furniture. Leasehold improvements are amortized over the lesser of the length of the related leases or the estimated useful lives of the assets.

Repairs and maintenance which do not extend the useful lives of the related assets are expensed as incurred.

Public Support and Revenue Recognition

Contributions are recognized when the student makes a promise to give to Student Chapters that is, in substance, unconditional. All student contributions are unrestricted.

Income Taxes

Student Chapters is exempt from federal income taxes under Section 501(c)(4) of the Internal Revenue Code and applicable state law. Income generated by activities that would be considered unrelated to Student Chapters' mission would be subject to tax, which, if incurred, would be recognized as a current expense. No such tax has been recognized for the years ended July 31, 2012 and 2011.

PUBLIC INTEREST RESEARCH GROUP OF NEW JERSEY, INC. A/K/A NJPIRG STUDENT CHAPTERS

NOTES TO FINANCIAL STATEMENTS

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (Continued)

Student Chapters accounts for uncertainty in income taxes recognized in the financial statements using a recognition threshold of more likely than not as to whether the uncertainty will be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold has been met. Management determined there were no tax uncertainties that met the recognition threshold. Student Chapters' federal exempt organization returns are no longer subject to examination by the Internal Revenue Service for years prior to 2009.

Functional Allocation of Expenses

Certain operating expenses have been allocated to program services based on the reasonable benefit that the program derived from these expenses. There are various funding sources providing support towards Student Chapters' programs and some of the expenses charged to the programs represent direct expenses related to program operations and objectives.

Subsequent Events

Management has evaluated events for potential recognition and disclosure that occurred after July 31, 2012, but before June 11, 2013, the date that the financial statements were available to be issued. No items were determined by management to require disclosure.

C. LOAN RECEIVABLE

Student Chapters has a loan receivable in the original amount of \$15,000 due from Maryland Public Interest Research Group Inc., payable in five annual installments of \$3,000 from 2011 through 2015. The loan bears no interest and there is no collateral associated with this loan. Total amount outstanding on the loan at July 31, 2012 and 2011, was \$9,000 and \$12,000, respectively.

D. INVESTMENTS

Investments at July 31, 2012 and 2011, are as follows:

	<u>2012</u>		
	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Depreciation</u>
Certificates of deposit	<u>\$ 1,195,000</u>	<u>\$ 1,189,077</u>	<u>\$ (5,923)</u>
	<u>2011</u>		
	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Depreciation</u>
Certificates of deposit	<u>\$ 1,286,000</u>	<u>\$ 1,282,217</u>	<u>\$ (3,783)</u>

The following schedule summarizes the investment return in the Statement of Activities:

	<u>July 31,</u>	
	<u>2012</u>	<u>2011</u>
Interest income	\$ 6,374	\$ 5,705
Realized and unrealized (loss) gain	(2,140)	1,723
Total investment return	<u>\$ 4,234</u>	<u>\$ 7,428</u>

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E. FAIR VALUE MEASUREMENT

Realized and unrealized gains and losses from these assets are reported in the Statement of Activities as they occur. There have been no changes in valuation techniques and related inputs. Fair values of assets measured on a recurring basis at July 31, 2012 and 2011, were as follows:

	<u>July 31, 2012</u>			Fair Value Total
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Investments				
Certificates of deposit	<u>\$ -</u>	<u>\$ 1,189,077</u>	<u>\$ -</u>	<u>\$ 1,189,077</u>

	<u>July 31, 2011</u>			Fair Value Total
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Investments				
Certificates of deposit	<u>\$ -</u>	<u>\$ 1,282,217</u>	<u>\$ -</u>	<u>\$ 1,282,217</u>

F. EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Equipment and leasehold improvements consist of the following:

	<u>July 31,</u>	
	<u>2012</u>	<u>2011</u>
Office equipment and furniture	\$ 32,580	\$ 27,994
Leasehold improvements	1,256	1,256
Total	<u>33,836</u>	<u>29,250</u>
Less accumulated depreciation and amortization	26,112	25,231
Total	<u>\$ 7,724</u>	<u>\$ 4,019</u>

G. OPERATING LEASE COMMITMENT

Student Chapters has a non-cancelable operating lease for a rental obligation that expires in August 2013. Under agreements with the Public Interest Research Foundation of NJ and the Fund for the Public Interest, Inc. ("FFPI"), co-tenants of the property, they pay 20% and 60%, respectively, of the total rental cost. Student Chapters pays the remaining 20%. Net rental expense for this lease was \$6,587 and \$6,160 for the years ended July 31, 2012 and 2011, respectively.

Total future minimum lease payments under the operating lease as of July 31, are as follows:

Year Ending July 31,	
2013	\$ 28,707
2014	2,399
Total	<u>\$ 31,106</u>

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H. FUNCTIONAL ALLOCATION OF EXPENSES

Expenses reported by their functional class for the years ended July 31, 2012 and 2011, were as follows:

	July 31,	
	2012	2011
Program	\$ 311,354	\$ 810,121
Management and general	25,946	49,651
Fundraising	13,470	25,251
Total	<u>\$ 350,770</u>	<u>\$ 885,023</u>

I. AFFILIATED ORGANIZATIONS AND RELATED PARTY TRANSACTIONS

Student Chapters is affiliated with the Public Interest Research Foundation of NJ (also known as NJPIRG Law and Policy Center) and Citizen Lobby, Inc. (also known as NJPIRG Citizen Lobby) through certain common employees and working relationships.

Public Interest Research Foundation of NJ is a non-profit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Public Interest Research Foundation of NJ engages in nonpartisan analysis, study and research of broad social, economic and similar issues such as public health, good government, fair democracy and related matters of concern to the general welfare of the citizens of the State of New Jersey. Included in Due to affiliates at July 31, 2011, is \$2,568 due to Public Interest Research Foundation of NJ for expenses that Public Interest Research Foundation of NJ paid on behalf of Student Chapters.

Student Chapters provides support to the AmeriCorps program of the Public Interest Research Foundation of NJ. Amount due to Public Interest Research Foundation of NJ as shown on the Statement of Activities and Statement of Financial Position as of July 31, 2012 and 2011, was \$65,861 and \$63,518, respectively, for Student Chapters' obligation to Public Interest Research Foundation of New Jersey for the AmeriCorps cash grant match. In addition, Student Chapters owed Public Interest Research Foundation of NJ \$407 at both July 31, 2012 for the 2011 grant match that was not remitted to Student Chapters in 2012.

Citizen Lobby, Inc. is a non-profit organization exempt from income taxes under Section 501(c)(4) of the Internal Revenue Code. Citizen Lobby, Inc. speaks up and takes action when consumers are cheated or the voices of ordinary citizens are drowned out by special interest lobbyists. Citizen Lobby uncovers threats to public health and well-being and fights to end them, using time-tested tools of investigative research, media exposes, grassroots organizing, advocacy and litigation. Citizen Lobby's mission is to deliver persistent, result-oriented public interest activism that protects consumers, encourages a fair sustainable economy and fosters responsive democratic government. Included in Due to affiliates as of July 31, 2012 and 2011, is \$72,266 due to NJPIRG Citizen Lobby for expenses that NJPIRG Citizen Lobby paid on behalf of Student Chapters.

Student Chapters receives technical programmatic assistance from FFPI. Included in accounts payable and accrued expenses as of July 31, 2012 and 2011, was \$0 and \$76,933, respectively, for program development expenses related to educational programs and independent research provided by FFPI. Student Chapters also paid for certain rental, office and health expenses on behalf of FFPI. Included in accounts receivable as of July 31, 2012 and 2011, is \$5,179 and \$4,069, respectively, due from FFPI relating to these expenses.

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J. RETIREMENT PLAN

Student Chapters provides, through a multi-employer plan with FFPI, an employee savings plan whereby eligible and participating employees may elect to contribute, by salary reduction, up to seventy-five (75%) of their eligible compensation up to the maximum allowed under the Internal Revenue Code. Student Chapters contributes 100% up to 3% and an additional 50% over the 3% up to 5% of participants' salaries as matching contributions. Student Chapters' contributions were \$470 and \$280 for the years ended July 31, 2012 and 2011, respectively.

K. CONCENTRATION OF FUNDING SOURCES AND CREDIT RISK

Student Chapters maintains cash and cash equivalent balances and certificates of deposit which may, at times, exceed federally insured limits. Student Chapters historically has not experienced any credit related losses. Management believes that it is not subject to any significant credit risk on its cash and cash equivalent accounts and certificates of deposit.

Student Chapters received approximately 99% and 98% of its support and revenues from Rutgers University, which is located in New Jersey, for the years ended July 31, 2012 and 2011, respectively. A significant reduction in the level of this revenue, if it were to occur, could have a significant negative effect on Student Chapters' activities.