

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

FINANCIAL STATEMENTS

July 31, 2016

**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

Report on the Financial Statements

We have audited the accompanying financial statements of Public Interest Research Group of New Jersey, Inc. a/k/a NJPIRG Student Chapters ("Student Chapters") which comprise the statements of financial position as of July 31, 2016 and 2015, and the related statements of activities, functional expenses 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.

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 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 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.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

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, 2016 and 2015, 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.

Mercadieu, P.C.

Certified Public Accountants

June 12, 2017

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

STATEMENTS OF FINANCIAL POSITION
July 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Current assets		
Cash	\$ 168,556	\$ 102,290
Certificates of deposit	563,500	567,244
Accounts receivable	207,312	169,979
Due from affiliate	-	1,856
Prepaid expenses	<u>5,634</u>	<u>4,298</u>
Total current assets	945,002	845,667
Certificates of deposit, net of current portion	779,650	773,058
Equipment and leasehold improvements	<u>3,671</u>	<u>4,619</u>
Total Assets	<u>\$ 1,728,323</u>	<u>\$ 1,623,344</u>
 LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 177,293	\$ 136,742
Due to affiliates	<u>155,633</u>	<u>100,651</u>
Total Liabilities	332,926	237,393
Net Assets	<u>1,395,397</u>	<u>1,385,951</u>
Total Liabilities and Net Assets	<u>\$ 1,728,323</u>	<u>\$ 1,623,344</u>

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STATEMENTS OF ACTIVITIES
Years Ended July 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Support and revenues		
Student fees, Rutgers University	\$ 565,505	\$ 551,237
Investment return	<u>20,921</u>	<u>5,782</u>
Total support and revenues	<u>586,426</u>	<u>557,019</u>
Expenses		
Program services	501,870	359,880
Management and general	53,089	37,492
Fundraising	<u>22,021</u>	<u>17,289</u>
Total expenses	<u>576,980</u>	<u>414,661</u>
Change in net assets	9,446	142,358
Net assets, beginning of year	<u>1,385,951</u>	<u>1,243,593</u>
Net assets, end of year	<u>\$ 1,395,397</u>	<u>\$ 1,385,951</u>

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STATEMENT OF FUNCTIONAL EXPENSES
Year Ended July 31, 2016

	2016			
	Program Services	Management and General	Fundraising	Total
Salaries	\$ 103,544	\$ 2,636	\$ 11,798	\$ 117,978
Payroll taxes and employee benefits	18,709	476	2,132	21,317
Dues	120,228	-	-	120,228
Grants	109,842	-	-	109,842
Citizen outreach expense	100,000	-	-	100,000
Professional services	11,638	47,165	3,796	62,599
Rent	18,765	478	2,138	21,381
Travel	6,190	158	705	7,053
Supplies	3,145	287	358	3,790
Printing and reproduction	3,011	77	343	3,431
Recruitment	2,424	62	276	2,762
Depreciation	1,777	45	203	2,025
Telephone	1,286	33	147	1,466
Other	210	828	-	1,038
Insurance	-	816	-	816
Equipment maintenance	512	13	58	583
Utilities	470	12	53	535
Postage	119	3	14	136
Total	<u>\$ 501,870</u>	<u>\$ 53,089</u>	<u>\$ 22,021</u>	<u>\$ 576,980</u>

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STATEMENT OF FUNCTIONAL EXPENSES
Year Ended July 31, 2015

	2015			
	Program Services	Management and General	Fundraising	Total
Salaries	\$ 78,323	\$ 2,602	\$ 9,149	\$ 90,074
Payroll taxes and employee benefits	17,691	1,590	2,066	21,347
Dues	102,665	-	-	102,665
Grants	4,000	-	-	4,000
Citizen outreach expense	100,000	-	-	100,000
Professional services	5,222	27,041	-	32,263
Rent	18,559	617	2,168	21,344
Travel	6,716	222	785	7,723
Supplies	5,264	325	615	6,204
Printing and reproduction	3,856	128	451	4,435
Recruitment	8,289	275	968	9,532
Depreciation	1,776	59	208	2,043
Telephone	2,184	73	255	2,512
Insurance	-	668	-	668
Equipment maintenance	5,006	166	585	5,757
Utilities	299	10	35	344
Postage	30	1	4	35
Office supplies and maintenance	-	2,134	-	2,134
Bad debt expense	-	1,581	-	1,581
Total	<u>\$ 359,880</u>	<u>\$ 37,492</u>	<u>\$ 17,289</u>	<u>\$ 414,661</u>

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STATEMENTS OF CASH FLOWS
Years Ended July 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 9,446	\$ 142,358
Adjustments to reconcile change in net assets to net cash from operating activities:		
Bad debt expense	-	1,581
Depreciation	2,025	2,043
Realized gains on sale of investments	(583)	(892)
Unrealized (gains) losses on investments	(10,265)	5,670
Increase (decrease) in cash from		
Accounts receivable	(37,334)	(116,664)
Prepaid expenses	(1,335)	3,385
Accounts payable and accrued expenses	40,551	(56,217)
Advances from (repayments to) affiliates, net	<u>56,838</u>	<u>(115,077)</u>
Net cash from operating activities	<u>59,343</u>	<u>(133,813)</u>
Cash Flows from Investing Activities		
Repayments of loan receivable	-	9,000
Purchases of equipment, net of disposal	(1,077)	(1,708)
Purchases of certificates of deposit	(560,000)	(758,000)
Proceeds from sales of certificates of deposit	<u>568,000</u>	<u>805,000</u>
Net cash from investing activities	<u>6,923</u>	<u>54,292</u>
Net change in cash	66,266	(79,521)
Cash beginning of year	<u>102,290</u>	<u>181,811</u>
Cash end of year	<u>\$ 168,556</u>	<u>\$ 102,290</u>

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") located in New Brunswick, New Jersey, is a non-profit, student directed organization that recruits and trains students to conduct public interest research, educates the campus and local community about civic engagement and advocates for real solutions. From direct service to the community to advocating for common sense policy solutions, Student Chapters melds the technical knowhow of university research and classroom education with real world advocacy and hands on experience.

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 ("U.S. GAAP"). Net assets and revenues, 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, and therefore expendable for operating purposes.
- 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 U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash

Cash includes highly liquid debt instruments with original maturities of ninety days or less.

Certificates of Deposit

Certificates of deposit are stated at fair value in the statements of financial position. All interest, dividends and realized and unrealized gains and losses are reported in the statements of activities as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law.

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NOTES TO FINANCIAL STATEMENTS

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables

Student Chapters considers all accounts receivable and amounts due from affiliates to be fully collectible; accordingly, no allowance for doubtful 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.

Student Fees 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 as of July 31, 2016 or 2015.

U.S. GAAP requires management to evaluate tax positions taken by Student Chapters and recognize a tax liability if Student Chapters has taken an uncertain position that more likely than not would not be sustained upon examination by taxing authorities. Management evaluated Student Chapters' tax positions and concluded that Student Chapters had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

Student Chapters did not record any interest or penalties on uncertain tax positions in the accompanying statements of financial position as of July 31, 2016 or 2015, or in the accompanying statements of activities for the years then ended. If Student Chapters were to incur any income tax liability in the future, interest on any income tax liability would be reported as interest expense and penalties on any income tax liability would be reported as income taxes.

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 the Student Chapters' programs and some of the expenses charged to the programs represent direct expenses related to program operations and objectives.

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NOTES TO FINANCIAL STATEMENTS

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606) - Deferral of the Effective Date*, which defers the effective date of ASU 2014-09 by one year. The updated standard will be effective for Student Chapters for the year ending July 31, 2020, with early adoption permitted. Student Chapters has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on the financial statements.

In August 2014, the FASB issued ASU 2014-15, *Presentation of Financial Statements – Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*. ASU 2014-15 explicitly requires management to evaluate, at each annual or interim reporting period, whether there are concerns or events that exist which raise substantial doubt about an entity's ability to continue as a going concern and to provide related disclosures. ASU 2014-15 will be effective for Student Chapters for the year ending July 31, 2017, with early adoption permitted. Student Chapters is currently evaluating the impact of adopting this new standard on its financial statement disclosures.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, requiring an entity (lessee) that leases assets for a term exceeding a one year period to recognize a right-of-use asset and corresponding lease liability on the statement of financial position. ASU 2016-02 will result in lessees recognizing right-of-use assets and lease liabilities for most leases currently accounted for as operating leases under the legacy lease accounting guidance. ASU 2016-02 introduces limited changes to the lessor accounting model, none of which rise to the same level of significance as the changes made to the lessee accounting model. ASU 2016-02 also requires entities to disclose in the footnotes to their financial statements information about the amount, timing, and uncertainty for the payments they make for lease agreements. ASU 2016-02 will be effective for Student Chapters for the year ending July 31, 2021. Student Chapters is currently evaluating the effect that the new standard will have on its financial statements and related disclosures.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which now requires net assets to be presented in two classes, instead of three. The two classes will be net assets with donor restrictions and net assets without donor restrictions. Additional enhanced disclosures will be required to present the amounts and purposes of board designations, composition of net assets with donor restrictions and how the restrictions affect the use of resources. ASU 2016-14 requires the entity to communicate qualitative and quantitative information on how it manages its liquid resources available to meet the cash flow needs for general expenditures within one year of the statement of financial position date, including disclosure of the availability of financial assets at the statement of financial position date, affected by 1) its nature, 2) external limits imposed by donors, grantors, laws and contracts with others, and 3) internal limits imposed by governing board decisions. ASU 2016-14 requires reporting of expenses by both their natural and functional classification. ASU 2016-14 will be effective for Student Chapters for the year ending ending July 31, 2019, with early adoption permitted. Student Chapters is currently evaluating the effect that the new standard will have on its financial statements and related disclosures.

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NOTES TO FINANCIAL STATEMENTS

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation. The reclassifications have no effect on the change in net assets.

Subsequent Events

Management has evaluated events for potential recognition and disclosure that occurred after July 31, 2016, through June 12, 2017, the date that the financial statements were available to be issued. No items were determined by management to require disclosure.

C. CERTIFICATES OF DEPOSIT

Certificates of deposit at July 31, 2016 and 2015, are as follows:

	2016		
	Cost	Fair Value	Unrealized Appreciation
Certificates of deposit	<u>\$ 1,340,000</u>	<u>\$ 1,343,150</u>	<u>\$ 3,150</u>
	2015		
	Cost	Fair Value	Unrealized Depreciation
Certificates of deposit	<u>\$ 1,348,000</u>	<u>\$ 1,340,302</u>	<u>\$ (7,698)</u>

The following schedule summarizes the investment return in the statements of activities:

	Years Ended July 31,	
	2016	2015
Interest income	\$ 10,073	\$ 10,560
Realized gains on sale of investments	583	892
Unrealized gains (losses) on investments	<u>10,265</u>	<u>(5,670)</u>
Total investment return	<u>\$ 20,921</u>	<u>\$ 5,782</u>

D. FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, Student Chapters uses various methods including market, income and cost approaches. Based on these approaches, Student Chapters often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. Student Chapters utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques Student Chapters is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value are classified and disclosed in one of the following three categories:

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NOTES TO FINANCIAL STATEMENTS

D. FAIR VALUE MEASUREMENT (CONTINUED)

Level 1 - Quoted prices for identical assets and liabilities traded in active exchange markets.

Level 2 - Observable inputs other than level 1 including quoted prices for similar assets or liabilities, quoted prices in less active markets, or other observable inputs that can be corroborated by observable market data. Level 2 also includes derivative contracts whose value is determined using a pricing model with observable market inputs or can be derived principally from or corroborates by observable market data.

Level 3 - Unobservable inputs supported by little or no market activity for financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation; also includes observable inputs for nonbinding single dealer quotes not corroborated by observable market data.

Certificates of Deposit - The fair value of certificates of deposit is the market value based on quoted market prices of similar instruments when available. If listed prices or quotes are not available, fair value is based upon cost, stated interest rates and maturity dates of the certificates of deposit in order to calculate the premium or discount.

While Student Chapters believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

During the years ended July 31, 2016 and 2015, there were no changes to Student Chapters' valuation techniques that had, or are expected to have, a material impact on its financial position or changes in net assets. Fair value of fixed-maturity certificates of deposit was estimated using the rates offered at July 31, 2016.

Fair values of assets and liabilities measured on a recurring basis at July 31, 2016 and 2015, were as follows:

	<u>July 31, 2016</u>			<u>Fair Value</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
Certificates of deposit	<u>\$ -</u>	<u>\$ 1,343,150</u>	<u>\$ -</u>	<u>\$ 1,343,150</u>
	<u>July 31, 2015</u>			<u>Fair Value</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
Certificates of deposit	<u>\$ -</u>	<u>\$ 1,340,302</u>	<u>\$ -</u>	<u>\$ 1,340,302</u>

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NOTES TO FINANCIAL STATEMENTS

E. EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Equipment and leasehold improvements consist of the following:

	July 31,	
	2016	2015
Office equipment and furniture	\$ 10,035	\$ 8,958
Leasehold improvements	<u>1,256</u>	<u>1,256</u>
Subtotal	11,291	10,214
Less accumulated depreciation	<u>7,620</u>	<u>5,595</u>
Total	<u>\$ 3,671</u>	<u>\$ 4,619</u>

Depreciation expense for years ended July 31, 2016 and 2015, was \$2,025 and \$2,043, respectively.

F. JOINT COSTS

During the years ended July 31, 2016 and 2015, Student Chapters incurred joint costs of \$100,000 for programmatic activities and materials, of which 100% was allocated to program expense.

G. OPERATING LEASE COMMITMENT

Student Chapters has a non-cancelable operating lease for a rental obligation that expires in August 2022. Under an agreement with Citizen Lobby, Inc., one of the co-tenants of the property, Student Chapters pays 13% of the total rental cost. Net rental expense for this lease was \$6,810 and \$3,655 for the years ended July 31, 2016 and 2015, respectively.

On May 9, 2014, Student Chapters entered into a non-cancelable operating lease covering the period from September 1, 2014 through August 31, 2022. In addition, Student Chapters is also required to cover a portion of the occupancy costs. Net rental expense for this lease was \$11,494 and \$8,750 for the years ended July 31, 2016 and 2015, respectively.

Future minimum lease payments under the above operating leases are as follows:

Year Ending July 31,	
2017	\$ 20,944
2018	25,728
2019	26,314
2020	26,909
2021	27,505
Thereafter	<u>30,456</u>
Total	<u>\$ 157,856</u>

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H. AFFILIATED ORGANIZATIONS AND RELATED PARTY TRANSACTIONS

Student Chapters receives technical programmatic assistance from the Fund for Public Interest, Inc. ("FFPI"). Such amounts are included in accounts payable and accrued expenses as follows:

	<u>July 31,</u>	
	<u>2016</u>	<u>2015</u>
FFPI	<u>\$ 56,928</u>	<u>\$ 29,269</u>

Student Chapters pays for certain rental, office and health expenses on behalf of FFPI that are included in accounts receivable as follows:

	<u>July 31,</u>	
	<u>2016</u>	<u>2015</u>
FFPI	<u>\$ 55,007</u>	<u>\$ 51,708</u>

Student Chapters had amounts due to/from related entities as follows:

	<u>July 31,</u>	
	<u>2016</u>	<u>2015</u>
Due to affiliates:		
Citizen Lobby, Inc.	\$ 107,791	\$ 100,651
U.S. Public Interest Research Group	<u>47,842</u>	<u>-</u>
Total	<u>\$ 155,633</u>	<u>\$ 100,651</u>

Due from affiliate:		
Public Interest Research Foundation of NJ	<u>\$ -</u>	<u>\$ 1,856</u>

In April 2013, Student Chapters entered into a joint door-to-door canvassing campaign with Citizen Lobby, Inc. whereby Student Chapters will reimburse Citizen Lobby, Inc. up to 60% of any costs incurred in furtherance of the program. Such amount is included in citizen outreach expense and accounts payable as follows:

	<u>Years Ended July 31,</u>	
	<u>2016</u>	<u>2015</u>
Citizen Lobby, Inc.	<u>\$ 100,000</u>	<u>\$ 100,000</u>

Student Chapters is a co-tenant of a property leased by a related entity. Student Chapters' portion of the leased property and the amount included in rent is as follows:

	<u>Years Ended July 31,</u>	
	<u>2016</u>	<u>2015</u>
Citizen Lobby, Inc.	<u>\$ 6,810</u>	<u>\$ 6,692</u>

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NOTES TO FINANCIAL STATEMENTS

I. 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 \$923 and \$1,368 for the years ended July 31, 2016 and 2015, respectively.

J. CONCENTRATION OF CREDIT RISK AND FUNDING SOURCES

Student Chapters maintains cash 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 accounts and certificates of deposit.

Student Chapters received approximately 96% and 98% of its support and revenues from Rutgers University, which is located in New Jersey, for the years ended July 31, 2016 and 2015, 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.