

FINANCIAL STATEMENTS

**NATIONAL COUNCIL OF
NONPROFIT ASSOCIATIONS**

**FOR THE YEAR ENDED DECEMBER 31, 2005
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2004**

NATIONAL COUNCIL OF NONPROFIT ASSOCIATIONS

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GELMAN, ROSENBERG & FREEDMAN
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
National Council of Nonprofit Associations
Washington, D.C.

We have audited the accompanying statement of financial position of the National Council of Nonprofit Associations as of December 31, 2005, and the related statements of activities and change in net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the National Council of Nonprofit Associations' management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information was derived from the Association's 2004 financial statements and in our report dated April 7, 2005, we expressed an unqualified opinion on those statements.

We conducted our audit 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 audit provides 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 the National Council of Nonprofit Associations as of December 31, 2005, and its change in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Gelman Rosenberg & Freedman

April 6, 2006

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NATIONAL COUNCIL OF NONPROFIT ASSOCIATIONS
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2005
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2004

ASSETS		<u>2005</u>	<u>2004</u>
CURRENT ASSETS			
Cash and cash equivalents		\$ 898,257	\$ 1,202,196
Grants receivable		150,000	375,000
Accounts receivable		727	3,683
Prepaid expenses		<u>16,699</u>	<u>26,364</u>
Total current assets		<u>1,065,683</u>	<u>1,607,243</u>
FIXED ASSETS			
Furniture and equipment		51,249	46,966
Leasehold improvements		<u>6,715</u>	<u>6,715</u>
		57,964	53,681
Less: Accumulated depreciation and amortization		<u>(48,942)</u>	<u>(41,563)</u>
Net fixed assets		<u>9,022</u>	<u>12,118</u>
OTHER ASSETS			
Security deposit		<u>7,818</u>	<u>7,818</u>
TOTAL ASSETS		<u>\$ 1,082,523</u>	<u>\$ 1,627,179</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities		\$ 52,488	\$ 31,961
Deferred revenue		<u>4,660</u>	<u>3,160</u>
Total current liabilities		<u>57,148</u>	<u>35,121</u>
NET ASSETS			
Unrestricted:			
Undesignated		196,121	361,612
Board designated reserve (Note 6)		<u>712,254</u>	<u>712,254</u>
Total unrestricted		908,375	1,073,866
Temporarily restricted (Note 2)		<u>117,000</u>	<u>518,192</u>
Total net assets		<u>1,025,375</u>	<u>1,592,058</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 1,082,523</u>	<u>\$ 1,627,179</u>

See accompanying notes to financial statements.

NATIONAL COUNCIL OF NONPROFIT ASSOCIATIONS
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2005
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2004

	2005			2004
	Unrestricted	Temporarily Restricted	Total	Total
REVENUE				
Foundation grants	\$ 305,500	\$ 50,000	\$ 355,500	\$ 850,000
Membership	40,100	-	40,100	35,650
Fees for service	21,399	-	21,399	26,525
Sponsorships	10,150	-	10,150	17,354
Conference and annual meetings	16,798	-	16,798	15,400
Interest income	22,149	-	22,149	14,079
Contributions	5,974	-	5,974	3,110
Other revenue	11,922	-	11,922	1,735
Net assets released from donor restrictions (Note 3)	451,192	(451,192)	-	-
Total revenue	885,184	(401,192)	483,992	963,853
EXPENSES				
Program services:				
C.A.E.S.A.	277,395	-	277,395	261,919
S.P.A.R.C.	264,972	-	264,972	260,731
P.A.L.S.	273,594	-	273,594	178,601
Legislative Activities	1,320	-	1,320	592
Total program services	817,281	-	817,281	701,843
Supporting services:				
General and Administrative	202,854	-	202,854	150,135
Fundraising	30,540	-	30,540	7,698
Total supporting services	233,394	-	233,394	157,833
Total expenses	1,050,675	-	1,050,675	859,676
Change in net assets	(165,491)	(401,192)	(566,683)	104,177
Net assets at beginning of year	1,073,866	518,192	1,592,058	1,487,881
NET ASSETS AT END OF YEAR	\$ 908,375	\$ 117,000	\$ 1,025,375	\$ 1,592,058

See accompanying notes to financial statements.

NATIONAL COUNCIL OF NONPROFIT ASSOCIATIONS

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2005
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2004**

	2005				
	Program Services				Total
	C.A.E.S.A	S.P.A.R.C	P.A.L.S	Legislative Activities	Program
Salaries and benefits (Note 4)	\$ 124,365	\$ 160,712	\$ 171,105	\$ 230	\$ 456,412
Professional fees	68,434	21,535	27,560	1,000	118,529
Office supplies	1,539	1,176	1,192	-	3,907
Telephone	3,594	2,707	4,614	-	10,915
Postage and shipping	1,909	1,563	1,039	-	4,511
Occupancy	27,822	31,410	31,930	15	91,177
Equipment rental/maintenance	2,000	984	822	-	3,806
Printing and duplicating	12	85	414	-	511
Books and publications	92	246	159	-	497
Travel	6,915	1,391	9,326	-	17,632
Conventions, meetings and conferences	33,956	2,733	17,020	75	53,784
Depreciation and amortization	-	-	-	-	-
Insurance	950	983	990	-	2,923
Membership dues	245	500	1,275	-	2,020
Staff development	285	30	939	-	1,254
Outside computer services	5,277	38,917	5,209	-	49,403
Other expenses	-	-	-	-	-
TOTAL	\$ 277,395	\$ 264,972	\$ 273,594	\$ 1,320	\$ 817,281

Supporting Services				2004	
General and Administrative	Fundraising	Total Supporting Services	Total	Total	
\$ 106,923	\$ 22,742	\$ 129,665	\$ 586,077	\$ 511,737	
43,645	13	43,658	162,187	71,006	
1,977	38	2,015	5,922	13,198	
1,578	199	1,777	12,692	9,326	
1,213	42	1,255	5,766	7,290	
17,659	3,989	21,648	112,825	107,541	
2,377	-	2,377	6,183	8,367	
2,307	-	2,307	2,818	14,711	
289	-	289	786	1,607	
3,838	-	3,838	21,470	23,917	
1,659	2,469	4,128	57,912	35,037	
7,379	-	7,379	7,379	8,130	
1,797	42	1,839	4,762	2,987	
45	-	45	2,065	2,760	
2,174	195	2,369	3,623	4,267	
6,871	811	7,682	57,085	37,167	
1,123	-	1,123	1,123	628	
\$ 202,854	\$ 30,540	\$ 233,394	\$ 1,050,675	\$ 859,676	

See accompanying notes to financial statements.

NATIONAL COUNCIL OF NONPROFIT ASSOCIATIONS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2005
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2004

	<u>2005</u>	<u>2004</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (566,683)	\$ 104,177
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation and amortization	7,379	8,130
(Increase) decrease in:		
Grants receivable	225,000	(375,000)
Accounts receivable	2,956	(2,641)
Prepaid expenses	9,666	(10,487)
Security deposit	-	340
Increase (decrease) in:		
Accounts payable and accrued liabilities	20,526	6,892
Deferred revenue	<u>1,500</u>	<u>3,160</u>
Net cash used by operating activities	<u>(299,656)</u>	<u>(265,429)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of furniture and equipment	<u>(4,283)</u>	<u>(1,535)</u>
Net cash used by investing activities	<u>(4,283)</u>	<u>(1,535)</u>
Net decrease in cash and cash equivalents	(303,939)	(266,964)
Cash and cash equivalents at beginning of year	<u>1,202,196</u>	<u>1,469,160</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 898,257</u>	<u>\$ 1,202,196</u>

See accompanying notes to financial statements.

NATIONAL COUNCIL OF NONPROFIT ASSOCIATIONS

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

The National Council of Nonprofit Associations (NCNA) was founded in 1989 as a 501(c)(3) not-for-profit corporation in the District of Columbia to advance the role and capacity of the nonprofit sector in civil society, and supports and gives voice to state and regional associations of nonprofit organizations.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with Statement of Financial Accounting Standards No. 117, "Financial Statements of Not-for-Profit Organizations".

Contributions and grants -

Contributions and grants are recorded as revenue in the year notification is received from the donor. Contributions and grants are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Contributions and grants received in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying financial statements.

Furniture, equipment and leasehold improvements -

NCNA capitalizes the cost of furniture, equipment and leasehold improvements that cost \$500 or more and that have useful lives of more than one year. These assets are depreciated over estimated useful lives of three to five years using the straight-line method. Leasehold improvements are amortized over the life of the lease.

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 the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Net asset classification -

The net assets are reported in two self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of NCNA and include both internally designated and undesignated resources.
- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of NCNA and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Change in Net Assets as net assets released from restrictions.

NATIONAL COUNCIL OF NONPROFIT ASSOCIATIONS

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

Membership dues -

Membership dues are recognized as revenue over the period of membership, which is on a calendar year basis.

Cash and cash equivalents -

Cash and cash equivalents include cash and money market funds and deposits with maturities of ninety days or less.

At times during the year, NCNA maintains cash balances at financial institutions in excess of the Federal Deposit Insurance Corporation (FDIC) limits. Management believes the risk in these situations to be minimal.

Income taxes -

NCNA is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. NCNA is not a private foundation.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. NCNA programs are identified below:

C.A.E.S.A. - Center for the Advance and Effectiveness of State Associations - which helps state associations of nonprofits better serve local charities.

S.P.A.R.C. - State Policy Action Resource Center - which tracks legislation that impacts the nonprofit sector and helps to build the advocacy capacity of state associations of nonprofits.

P.A.L.S. - Promoting Advocacy and Leadership for the Sector - which helps further public understanding of the nonprofit field.

Legislative activities - NCNA engagement in legislative issues and public affairs, including direct lobbying and grassroots lobbying per the definitions under the Lobbying Disclosure Act.

Reclassification -

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation.

2. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2005 consisted of:

Time Restricted	\$ <u>117,000</u>
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NATIONAL COUNCIL OF NONPROFIT ASSOCIATIONS

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005

3. NET ASSETS RELEASED FROM RESTRICTIONS

The following temporarily restricted net assets were released from donor restrictions by incurring expenses which satisfied the restricted purposes or by the passage of time as specified by the donors:

S.P.A.R.C.	\$ 150,000
Passage of time	<u>301,192</u>
	<u>\$ 451,192</u>

4. RETIREMENT PLAN

NCNA provides a retirement program for eligible full-time and part-time employees who are 21 years of age or older. NCNA contributes to the employee's retirement plan when the employee becomes vested after one year of employment. Eligible employees may contribute to the retirement plan at the beginning of employment. NCNA contributed \$15,353 for the year ended December 31, 2005.

5. LEASE COMMITMENT

NCNA has a lease agreement for office space which expires on October 31, 2006. Future rental payments due under the lease are as follows:

Year Ended December 31,

2006	<u>\$ 84,611</u>
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6. BOARD DESIGNATED

The Board of Directors has established an operating reserve fund from unrestricted net assets. The fund is increased each year based on Board discretion. Management's goal is to maintain at least six months worth of operating expenses in the fund.