

**FINANCIAL STATEMENTS**

**NATIONAL COUNCIL OF  
NONPROFIT ASSOCIATIONS**

**FOR THE YEAR ENDED DECEMBER 31, 2008  
WITH SUMMARIZED FINANCIAL  
INFORMATION FOR 2007**

**NATIONAL COUNCIL OF NONPROFIT ASSOCIATIONS**

**CONTENTS**

	<b>PAGE NO.</b>
INDEPENDENT AUDITORS' REPORT	2
EXHIBIT A - Statement of Financial Position, as of December 31, 2008, with Summarized Financial Information for 2007	3 - 4
EXHIBIT B - Statement of Activities and Change in Net Assets, for the Year Ended December 31, 2008, with Summarized Financial Information for 2007	5
EXHIBIT C - Statement of Functional Expenses, for the Year Ended December 31, 2008, with Summarized Financial Information for 2007	6 - 7
EXHIBIT D - Statement of Cash Flows, for the Year Ended December 31, 2008, with Summarized Financial Information for 2007	8
NOTES TO FINANCIAL STATEMENTS	9 - 12



**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, 2008, 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 National Council of Nonprofit Associations' 2007 financial statements and in our report dated March 7, 2008, 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, 2008, 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*

May 18, 2009

4550 MONTGOMERY AVENUE · SUITE 650 NORTH · BETHESDA, MARYLAND 20814  
(301) 951-9090 · FAX (301) 951-3570 · WWW.GRFCA.COM

MEMBER OF CPAMERICA INTERNATIONAL, AN AFFILIATE OF HORWATH INTERNATIONAL  
MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

**NATIONAL COUNCIL OF NONPROFIT ASSOCIATIONS**  
**STATEMENT OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2008**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2007**

**ASSETS**

	<u>2008</u>	<u>2007</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 726,068	\$ 706,871
Grants receivable	162,500	205,000
Accounts receivable	4,498	7,169
Prepaid expenses	<u>23,145</u>	<u>23,993</u>
Total current assets	<u>916,211</u>	<u>943,033</u>
<b>FIXED ASSETS</b>		
Furniture and equipment	78,202	73,478
Leasehold improvements	<u>6,715</u>	<u>6,715</u>
	84,917	80,193
Less: Accumulated depreciation and amortization	<u>(66,999)</u>	<u>(61,301)</u>
Net fixed assets	<u>17,918</u>	<u>18,892</u>
<b>NON-CURRENT ASSETS</b>		
Security deposit	<u>8,834</u>	<u>8,834</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>942,963</u></b>	<b>\$ <u>970,759</u></b>

See accompanying notes to financial statements.

## LIABILITIES AND NET ASSETS

	<u>2008</u>	<u>2007</u>
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 30,572	\$ 41,321
Deferred revenue	3,275	17,438
Deferred rent (Note 5)	<u>4,589</u>	<u>-</u>
Total current liabilities	<u>38,436</u>	<u>58,759</u>
<b>NON-CURRENT LIABILITIES</b>		
Deferred rent - net of current portion (Note 5)	<u>18,995</u>	<u>23,704</u>
Total liabilities	<u>57,431</u>	<u>82,463</u>
<b>NET ASSETS</b>		
Unrestricted:		
Undesignated	62,778	1,755
Board designated reserve (Note 6)	<u>660,254</u>	<u>665,254</u>
Total unrestricted	723,032	667,009
Temporarily restricted (Note 2)	<u>162,500</u>	<u>221,287</u>
Total net assets	<u>885,532</u>	<u>888,296</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 942,963</u></b>	<b><u>\$ 970,759</u></b>

**NATIONAL COUNCIL OF NONPROFIT ASSOCIATIONS**  
**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2007**

	<u>2008</u>			<u>2007</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
<b>REVENUE</b>				
Foundation grants	\$ 300,000	\$ 336,000	\$ 636,000	\$ 419,690
Membership	117,055	-	117,055	84,322
Fees for service	300,758	-	300,758	67,266
Sponsorships	11,000	-	11,000	1,200
Interest income	13,486	-	13,486	23,748
Contributions	2,190	-	2,190	5,199
Other revenue	3,235	-	3,235	480
In-kind contributions (Note 7)	4,148	-	4,148	-
Net assets released from donor restrictions (Note 3)	<u>394,787</u>	<u>(394,787)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>1,146,659</u>	<u>(58,787)</u>	<u>1,087,872</u>	<u>601,905</u>
<b>EXPENSES</b>				
Program Services:				
Membership	133,260	-	133,260	190,973
Policy	184,733	-	184,733	145,202
Nonprofit Congress	514,241	-	514,241	271,985
Legislative / Lobbying Activities	<u>1,557</u>	<u>-</u>	<u>1,557</u>	<u>2,903</u>
Total program services	<u>833,791</u>	<u>-</u>	<u>833,791</u>	<u>611,063</u>
Supporting Services:				
General and Administrative	232,086	-	232,086	200,441
Fundraising	<u>24,759</u>	<u>-</u>	<u>24,759</u>	<u>14,314</u>
Total supporting services	<u>256,845</u>	<u>-</u>	<u>256,845</u>	<u>214,755</u>
Total expenses	<u>1,090,636</u>	<u>-</u>	<u>1,090,636</u>	<u>825,818</u>
Change in net assets	56,023	(58,787)	(2,764)	(223,913)
Net assets at beginning of year	<u>667,009</u>	<u>221,287</u>	<u>888,296</u>	<u>1,112,209</u>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ <u>723,032</u></b>	<b>\$ <u>162,500</u></b>	<b>\$ <u>885,532</u></b>	<b>\$ <u>888,296</u></b>

**NATIONAL COUNCIL OF NONPROFIT ASSOCIATION**

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2008  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2007**

	2008				
	<b>Program Services</b>				
	<b>Membership</b>	<b>Policy</b>	<b>Nonprofit Congress</b>	<b>Legislative/ Lobbying Activities</b>	<b>Total Program Services</b>
Salaries and benefits (Note 4)	\$ 95,141	\$ 99,090	\$ 203,915	\$ 1,408	\$ 399,554
Professional fees	3,502	13,000	33,054	42	49,598
Office supplies	730	960	7,347	58	9,095
Telephone	1,607	3,618	2,630	37	7,892
Postage and shipping	192	199	1,474	6	1,871
Occupancy (Note 5)	16,688	20,695	44,913	366	82,662
Equipment rental/maintenance	813	1,157	2,805	6	4,781
Printing and duplicating	525	409	21,118	2	22,054
Books and publications	200	-	-	-	200
Advertising and marketing	-	-	4,718	-	4,718
Travel	4,098	1,213	7,768	4	13,083
Conventions, meetings and conference	183	1,097	168,015	2	169,297
Depreciation and amortization	696	965	2,687	8	4,356
Insurance	45	58	173	21	297
Membership dues	105	888	237	-	1,230
Staff development	910	392	786	(469)	1,619
Outside computer services	7,103	39,991	9,814	58	56,966
Other expenses	722	1,001	2,787	8	4,518
<b>TOTAL</b>	<b>\$ 133,260</b>	<b>\$184,733</b>	<b>\$ 514,241</b>	<b>\$ 1,557</b>	<b>\$ 833,791</b>

See accompanying notes to financial statements.

<b>Supporting Services</b>			<b>2007</b>	
<b>General and Administrative</b>	<b>Fundraising</b>	<b>Total Supporting Services</b>	<b>Total Expenses</b>	<b>Total Expenses</b>
\$ 130,115	\$ 19,975	\$ 150,090	\$ 549,644	\$ 493,582
38,154	650	38,804	88,402	79,334
1,748	124	1,872	10,967	4,400
2,612	118	2,730	10,622	10,068
623	41	664	2,535	6,287
25,832	3,213	29,045	111,707	111,598
1,622	109	1,731	6,512	7,347
482	46	528	22,582	9,203
1,663	-	1,663	1,863	3,170
-	-	-	4,718	-
7,447	(545)	6,902	19,985	10,998
1,712	12	1,724	171,021	14,425
1,213	129	1,342	5,698	5,452
3,450	7	3,457	3,754	2,574
278	17	295	1,525	2,675
1,869	37	1,906	3,525	4,248
9,236	692	9,928	66,894	57,126
4,030	134	4,164	8,682	3,331
<b>\$ 232,086</b>	<b>\$ 24,759</b>	<b>\$ 256,845</b>	<b>\$ 1,090,636</b>	<b>\$ 825,818</b>

See accompanying notes to financial statements.



**NATIONAL COUNCIL OF NONPROFIT ASSOCIATIONS**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2007**

	<u>2008</u>	<u>2007</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (2,764)	\$ (223,913)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	5,698	5,452
(Increase) decrease in:		
Grants receivable	42,500	20,000
Accounts receivable	2,671	(4,436)
Prepaid expenses	848	(1,004)
Increase (decrease) in:		
Accounts payable and accrued liabilities	(10,749)	7,217
Deferred revenue	(14,163)	17,238
Deferred rent	<u>(120)</u>	<u>4,173</u>
Net cash provided (used) by operating activities	<u>23,921</u>	<u>(175,273)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of furniture and equipment	<u>(4,724)</u>	<u>(5,023)</u>
Net cash used by investing activities	<u>(4,724)</u>	<u>(5,023)</u>
Net increase (decrease) in cash and cash equivalents	19,197	(180,296)
Cash and cash equivalents at beginning of year	<u>706,871</u>	<u>887,167</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ <u>726,068</u></b>	<b>\$ <u>706,871</u></b>

**NATIONAL COUNCIL OF NONPROFIT ASSOCIATIONS**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008**

**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".

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with NCNA's financial statements for the year ended December 31, 2007, from which the summarized information was derived.

**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.

NATIONAL COUNCIL OF NONPROFIT ASSOCIATIONS

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008

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

Net asset classification (continued) -

- **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.

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.

Pledges -

Unconditional pledges that are expected to be collected within one year are recorded at net realized value. Conditional pledges are not included as support until the conditions are met.

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:

**Membership** - which helps state associations of nonprofit's better serve local charities.

**Policy** - which tracks legislation that impacts the nonprofit sector and helps to build the advocacy capacity of state associations of nonprofits.

**Nonprofit Congress** - a special initiative of NCNA is an unprecedented effort to unite nonprofits and strengthen the charitable sector.

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

**NATIONAL COUNCIL OF NONPROFIT ASSOCIATIONS**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008**

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

Uncertain tax positions -

In June 2006, the FASB released FASB Interpretation No. (FIN) 48, *Accounting for Uncertainty in Income Taxes*. FIN 48 interprets the guidance in FASB Statement of Financial Accounting Standards (SFAS) No. 109, *Accounting for Income Taxes*. When FIN 48 is implemented, reporting entities utilize different recognition thresholds and measurement requirements when compared to prior technical literature. On December 30, 2008, the FASB Staff issued FASB Staff Position (FSP) FIN 48-3, *Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises*. As defined by the guidance in FSP FIN 48-3, NCNA is not required to implement the provisions of FIN 48 until fiscal years beginning after December 15, 2008. As such, NCNA has not implemented those provisions in the 2008 financial statements.

Since the provisions of FIN 48 have not been implemented in accounting for uncertain tax positions, NCNA continues to utilize its prior policy of accounting for these positions, following the guidance in SFAS No. 5, *Accounting for Contingencies*. Disclosure is not required of a loss contingency involving an unasserted claim or assessment when there has been no manifestation by a potential claimant of an awareness of a possible claim or assessment unless it is considered probable that a claim will be asserted and there is a reasonable possibility that the outcome will be unfavorable. Using that guidance, as of December 31, 2008, NCNA has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

**2. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets at December 31, 2008 consist of:

Time Restricted	<b><u>\$ 162,500</u></b>
-----------------	--------------------------

**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:

Passage of Time	\$ 317,500
Financial Planning	16,287
National Event	9,000
Policy and Advocacy	50,000
Marketing and Communication	<u>2,000</u>
	<b><u>\$ 394,787</u></b>

**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 \$12,445 for the year ended December 31, 2008.

NATIONAL COUNCIL OF NONPROFIT ASSOCIATIONS

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008

5. LEASE COMMITMENT

On August 3, 2006, NCNA entered into a 61-month non-cancelable lease agreement for office space commencing on September 1, 2006. Accounting principles generally accepted in the United States of America require that the total rent commitment should be recognized on a straight-line basis over the term of the lease. Accordingly, the difference between the actual monthly payments and the expense being recognized for financial statement purposes is being deferred. Such amount will be amortized over the term of the lease. The total deferred rent amortized for the year ended December 31, 2008 was \$120.

The total amount of rent expense at December 31, 2008 was \$111,707. Future minimum lease payments are as follows:

Year Ended December 31,

2009	\$ 116,187
2010	120,854
2011	<u>93,439</u>
	<u>\$ 330,480</u>

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 the Board's discretion. Management's goal is to maintain at least six months worth of operating expenses in the fund. During the year ended December 31, 2008, the Board of Directors authorized drawdowns in the amounts up to \$400,000, but only \$5,000 was utilized.

7. IN-KIND CONTRIBUTIONS

In-kind contributions consist of advertising, marketing and office supplies and are recorded at their fair market value as of the date of the gift.