

**Audited Financial Statements**  
**NATIONAL COUNCIL OF NONPROFITS**  
*December 31, 2015*

# National Council of Nonprofits

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A Professional Corporation

Certified Public

Accountants

and Consultants

# Independent Auditor’s Report

To the Board of Directors  
National Council of Nonprofits

We have audited the accompanying financial statements of the National Council of Nonprofits (the Council), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. The prior-year summarized comparative information has been derived from the Council’s 2014 financial statements and, in our report dated June 25, 2015 we expressed an unmodified opinion on those 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.

### **Auditor’s Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s 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 financial position of the National Council of Nonprofits as of December 31, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Washington, DC  
July 1, 2016

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WASHINGTON, DC  
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# National Council of Nonprofits

## Statements of Financial Position

<b><i>December 31,</i></b>	<b>2015</b>	<b>2014</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 1,069,211	\$ 555,665
Investments	502,627	505,839
Accounts receivable	12,632	-
Contributions receivable	265,000	100,200
Prepaid expenses	22,356	30,998
Security deposit asset	54,567	-
Property and equipment, net	357,105	76,131
<b>Total assets</b>	<b>\$ 2,283,498</b>	<b>\$ 1,268,833</b>
<b>Liabilities and Net Assets</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 115,938	\$ 142,651
Deferred revenue	23,320	2,750
Deferred rent and lease incentive	423,642	119,721
Total liabilities	562,900	265,122
Net assets		
Unrestricted - undesignated	212,341	271,785
Unrestricted - designated	568,257	623,382
Temporarily restricted	940,000	108,544
Total net assets	1,720,598	1,003,711
<b>Total liabilities and net assets</b>	<b>\$ 2,283,498</b>	<b>\$ 1,268,833</b>

# National Council of Nonprofits

## Statement of Activities Year ended December 31, 2015, with comparative totals for 2014

	2015			Total 2014
	Unrestricted	Temporarily Restricted	Total	
<b>Revenue and support</b>				
Contributions	\$ 542,146	\$ 925,000	\$ 1,467,146	\$ 697,201
Other	348,870	-	348,870	32,963
Membership dues	199,605	-	199,605	175,341
Fees for service	102,081	-	102,081	72,156
Sponsorship	27,500	-	27,500	25,000
Contributed goods and services	2,400	-	2,400	29,374
Investment earnings	865	-	865	15,566
Net assets released from restriction	93,544	(93,544)	-	-
<b>Total revenue and support</b>	<b>1,317,011</b>	<b>831,456</b>	<b>2,148,467</b>	<b>1,047,601</b>
<b>Expenses</b>				
Program services				
Public policy/advocacy	603,190	-	603,190	613,118
Network support	380,319	-	380,319	342,665
Communications	162,745	-	162,745	176,141
Legislative/Lobbying activities	3,245	-	3,245	26,072
<b>Total program services</b>	<b>1,149,499</b>	<b>-</b>	<b>1,149,499</b>	<b>1,157,996</b>
Supporting services				
General and administrative	258,749	-	258,749	162,596
Fundraising	23,332	-	23,332	14,983
<b>Total supporting services</b>	<b>282,081</b>	<b>-</b>	<b>282,081</b>	<b>177,579</b>
<b>Total expenses</b>	<b>1,431,580</b>	<b>-</b>	<b>1,431,580</b>	<b>1,335,575</b>
<b>Change in net assets</b>	<b>(114,569)</b>	<b>831,456</b>	<b>716,887</b>	<b>(287,974)</b>
Net assets, beginning of year	895,167	108,544	1,003,711	1,291,685
<b>Net assets, end of year</b>	<b>\$ 780,598</b>	<b>\$ 940,000</b>	<b>\$ 1,720,598</b>	<b>\$ 1,003,711</b>

See notes to financial statements.

# National Council of Nonprofits

## Statement of Functional Expenses For the year ended December 31, 2015 With comparative totals for the year ended December 31, 2014

	Program Services				Supporting Services			2015 Total	Comparative 2014 Total	
	Network Support	Public Policy/Advocacy	Communications	Legislative & Lobbying	Total Program Services	General and Administrative	Fundraising			Total Supporting Services
<b>Expenses</b>										
Salaries and benefits	\$ 260,768	\$ 446,290	\$ 95,767	\$ 1,036	\$ 803,861	\$ 152,911	\$ 19,112	\$ 172,023	\$ 975,884	\$ 909,918
Occupancy	42,960	75,866	17,266	142	136,234	12,357	1,935	14,292	150,526	191,033
Professional fees	8,478	20,761	22,854	15	52,108	37,888	452	38,340	90,448	66,602
Conventions and meetings	35,999	82	-		36,081	2,758	-	2,758	38,839	37,128
Depreciation and amortization	6,328	10,707	2,192		19,227	18,107	535	18,642	37,869	17,328
Travel	10,542	14,848	689	16	26,095	4,506	406	4,912	31,007	44,486
Outside computer service	2,721	7,075	10,858	10	20,664	1,542	215	1,757	22,421	17,485
Telephone	5,512	10,039	1,947	17	17,515	3,521	297	3,818	21,333	18,794
Other	-	-	-		-	18,124	-	18,124	18,124	-
Books and publications	-	5,837	8,599		14,436	39	-	39	14,475	10,120
Staff development	1,300	2,692	525		4,517	2,519	-	2,519	7,036	3,194
Printing and duplicating	1,659	2,771	751		5,181	1,204	220	1,424	6,605	6,273
Equipment rental/maintenance	1,227	2,042	447	5	3,721	945	88	1,033	4,754	4,356
Insurance	1,233	1,942	417	4	3,596	693	70	763	4,359	3,273
Membership dues	32	2,063	412		2,507	32	1	33	2,540	1,640
Supplies	847	103	21		971	1,439	1	1,440	2,411	2,246
Advertising and marketing	-	-	-	2,000	2,000	-	-	-	2,000	1,420
Postage and shipping	713	72	-		785	164	-	164	949	279
<b>Total Expenses</b>	<b>\$ 380,319</b>	<b>\$ 603,190</b>	<b>\$ 162,745</b>	<b>\$ 3,245</b>	<b>\$ 1,149,499</b>	<b>\$ 258,749</b>	<b>\$ 23,332</b>	<b>\$ 282,081</b>	<b>\$ 1,431,580</b>	<b>\$ 1,335,575</b>

See notes to financial statements.

# National Council of Nonprofits

## Statements of Cash Flows

<b>Year Ended December 31,</b>	<b>2015</b>	<b>2014</b>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 716,887	\$ (287,974)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	37,869	17,328
Net unrealized loss (gain) on investments	11,921	(453)
Loss on disposal of property and equipment	18,124	-
Changes in assets and liabilities:		
Accounts receivable	(12,632)	1,629
Contributions receivable	(164,800)	299,800
Prepaid expenses	8,642	(18,624)
Security deposit asset	(54,567)	-
Accounts payable and accrued expenses	(26,713)	(24,953)
Deferred revenue	20,570	(6,695)
Deferred rent and lease incentive	(16,032)	(2,550)
Total adjustments	(177,618)	265,482
Net cash provided by (used in) operating activities	539,269	(22,492)
<b>Cash flows from investing activities</b>		
Purchases of property and equipment	(17,214)	(33,187)
Proceeds from sale of property and equipment	200	-
Net purchase of investments	(8,709)	(11,224)
Net cash used in investing activities	(25,723)	(44,411)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>513,546</b>	<b>(66,903)</b>
Cash and cash equivalents, beginning of year	555,665	622,568
<b>Cash and cash equivalents, end of year</b>	<b>\$ 1,069,211</b>	<b>\$ 555,665</b>
<b>Schedule of Noncash investing activities</b>		
Property and equipment acquired under lease agreement	<u>\$ 319,953</u>	<u>\$ -</u>

# National Council of Nonprofits

## Notes to Financial Statements

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### A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: National Council of Nonprofits (the Council), was founded in 1990 as a 501(c)(3) nonprofit corporation, in the District of Columbia. The primary purpose of the Council is to advance the vital role, capacity, and voice of charitable nonprofit organizations through its state and national networks.

The Council is supported primarily through contributions from private foundations and individuals and from membership dues received.

Basis of accounting: The accompanying financial statements have been prepared using the accrual basis of accounting. Consequently, revenue, other than contributions, is recognized when earned and expense when the obligation is incurred.

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 and disclosures. Accordingly, actual results could differ from those estimates.

Comparative totals: The financial statements and footnote disclosures for the year ended December 31, 2014 are presented only to provide a basis for comparison with the year 2015. The 2014 year financial statements and footnote disclosures are not intended to present all information necessary for the fair presentation in accordance with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Council's financial statements for the year ended December 31, 2014, from which the summarized information was derived.

Net assets: Net assets are classified as unrestricted, temporarily restricted, or permanently restricted based on the existence or absence of donor-imposed restrictions. A description of each net asset group is as follows:

*Unrestricted, undesignated:* Net assets whose use is not restricted by donors or internally designated for other uses.

*Unrestricted, designated:* Unrestricted, designated net assets consist of an operating reserve established by the Board of Directors and increased or decreased each year based on the Board's discretion. The Board's goal is to maintain at least six months' worth of operating expenses in the fund.

*Temporarily restricted:* Represents resources restricted by donors as to purpose or by the passage of time. Purpose-restricted resources relate to research and advocacy to improve policies and practices affecting nonprofit organizations.

Cash and cash equivalents: For financial statement purposes, the Council includes cash accounts and short-term investments held outside of investment portfolios to be cash and cash equivalents. At December 31, 2015 and 2014, cash and cash equivalents were comprised of bank deposits and money market funds.



# National Council of Nonprofits

## Notes to Financial Statements

### A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Investments: Investments in mutual funds with readily determinable fair values and all investments in money market funds and fixed income securities are reported at their fair values in the statements of financial position. Unrealized gains and losses are included in the changes in net assets. Gains and losses are considered unrestricted or temporarily restricted depending on whether external restrictions were imposed on the gains and losses at the time of the initial investment.

Contributions: Contributions are recorded as unrestricted or temporarily restricted support depending upon the existence and/or nature of donor restrictions. Support that is restricted by donors is reported as an increase in temporarily restricted net assets and then reclassified to unrestricted net assets when the restriction expires. Temporarily restricted contributions which are received and expended in the same period are classified within unrestricted activities. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at estimated fair value. Contributions to be received after one year are discounted at a rate commensurate with the risk involved. Amortization of the discount is recorded as additional contribution revenue and used in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is made based on management's judgment, based on factors such as prior collection history, the type of contribution and other relevant factors.

Contributions receivable consisted of the following at December 31,:

	2015	2014
Amounts due in less than one year	\$ 215,000	\$ 200
Amounts due in one to five years	50,000	100,000
	<u>\$ 265,000</u>	<u>\$ 100,200</u>

As of December 31, 2015 and 2014, these receivables are deemed fully collectible. Based on management's evaluation of collectability of contributions receivable, no allowance for doubtful contributions receivable was recorded at December 31, 2015 and 2014.

The majority of the Council's contribution revenue is received from a few major foundation sources.

Accounts receivable: Accounts receivable consists primarily of amounts due from members and amounts due to the Council in conjunction with performing the organization's mission. Accounts receivable are reported at their outstanding balances, reduced by an allowance for doubtful accounts. Management periodically evaluates the status of all accounts receivable balances for collectability. Each receivable balance is assessed based on management's knowledge of the customer, the Council's relationship with the customer, and the age of the receivable balance. An allowance is recorded for customer receivables deemed to be uncollectible. As of December 31, 2015, the accounts receivable balance is deemed fully collectible and management has not recorded an allowance for bad debt.

# National Council of Nonprofits

## Notes to Financial Statements

### A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

Contributed goods and services: The Council recognizes contributed services at fair value if the services (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The amounts reflected in the accompanying financial statements as contributed services are offset by like amounts included in expenses. Contributed services consisted of the following for the years ended December 31,:

	2015	2014
Airfare	\$ 2,400	\$ 18,000
Legal advisory services	-	9,623
Advertising	-	1,420
Consulting	-	331
	<u>\$ 2,400</u>	<u>\$ 29,374</u>

Various members of the Board of Directors have made significant contributions of their time to develop the Council and its programs. No amounts have been recognized in the accompanying statements of activities and changes in net assets because of the criteria for recognition of such efforts under U.S. generally accepted accounting principles (GAAP) have not been satisfied.

Functional allocation of expenses: The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The Council's programs are identified below:

*Network support:* Builds the capacity of State Associations and nonprofit organizations to serve their communities.

*Public policy/advocacy:* Identifies and monitors public policy and proposals that impact the nonprofit sector and helps to build the advocacy capacity of state associations and charitable nonprofits.

*Communications:* Enhances visibility and understanding of the impact of charitable nonprofits.

*Legislative/Lobbying activities:* Advocates through direct lobbying and grassroots lobbying, per the definitions under the Internal Revenue Code.

Income taxes: The Council is exempt from the payment of federal and local income taxes on income other than net unrelated business income under Section 501(c)(3) of the Internal Revenue Code and has been classified by the Internal Revenue Service as other than a private foundation. For the years ended December 31, 2015 and 2014, the Council's sole source of unrelated business income was newsletter advertising.

# National Council of Nonprofits

## Notes to Financial Statements

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### A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Subsequent events: Material subsequent events have been considered for disclosure and recognition in these financial statements through July 1, 2016, the date the financial statements were available to be issued.

### B. CONCENTRATIONS

Credit risk: The Council maintains demand deposits, money market funds, and certificates of deposit with financial institutions. At times, certain balances held within these accounts may not be fully guaranteed or insured by the U.S. federal government. The uninsured portions of cash and money market accounts are backed solely by the assets of the underlying institution. As such, the failure of an underlying institution could result in financial loss to the Council.

Market value risk: The Council also invests funds in a professionally managed portfolio that contains various securities detailed in Note C. Such investments are exposed to various risks, such as fluctuations in market value and credit risk. The investment balances reported in the accompanying financial statements may not be reflective of the portfolio's value during subsequent periods.

### C. INVESTMENTS

In accordance with generally accepted accounting principles, the Council uses the following prioritized input levels to measure fair value. The input levels used for valuing investments are not necessarily an indication of risk.

Level 1 – Observable inputs that reflect quoted prices for identical assets or liabilities in active markets such as stock quotes;

Level 2 – Includes inputs other than level 1 inputs that are directly or indirectly observable in the marketplace such as yield curves or other market data;

Level 3 – Unobservable inputs which reflect the reporting entity's assessment of the assumptions that market participants would use in pricing the asset or liability including assumptions about risk such as bid/ask spreads and liquidity discounts.

# National Council of Nonprofits

## Notes to Financial Statements

### C. INVESTMENTS - CONTINUED

Investments are reported at fair value and consist of the following at December 31,:

<b>2015</b>	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Mutual funds - fixed income	\$ 205,515	\$ 205,515	\$ -	\$ -
Mutual funds - equities	96,184	96,184		
<b>Investments carried at fair value</b>	<b>301,699</b>	<b>\$ 301,699</b>	<b>\$ -</b>	<b>\$ -</b>
Certificates of deposit*	200,300			
Money market funds*	628			
<b>Total investments</b>	<b>\$ 502,627</b>			

  

<b>2014</b>	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Mutual funds - fixed income	\$ 207,677	\$ 207,677	\$ -	\$ -
Mutual funds - equities	94,825	94,825		
<b>Investments carried at fair value</b>	<b>302,502</b>	<b>\$ 302,502</b>	<b>\$ -</b>	<b>\$ -</b>
Certificates of deposit*	200,048			
Money market funds*	3,289			
<b>Total investments</b>	<b>\$ 505,839</b>			

\* Money market funds and certificates of deposit included in the investment portfolio are not subject to provisions of fair value measurements as they are recorded at cost.

The following is a summary of the earnings from investments for the years ended December 31,:

	<b>2015</b>	<b>2014</b>
Investment income	\$ 12,786	\$ 15,113
Unrealized (loss) gain	(11,921)	453
	<b>\$ 865</b>	<b>\$ 15,566</b>

# National Council of Nonprofits

## Notes to Financial Statements

### D. PROPERTY AND EQUIPMENT

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

Property and equipment consists of the following at December 31,:

	2015	2014
Furniture and equipment	\$ 116,919	\$ 89,668
Leasehold improvements	284,981	19,121
Capitalized website costs	31,838	31,838
	<u>433,738</u>	<u>140,627</u>
Less accumulated depreciation and amortization	<u>(76,633)</u>	<u>(64,496)</u>
Property and equipment, net	<u>\$ 357,105</u>	<u>\$ 76,131</u>

### E. NET ASSETS

Temporarily restricted net assets and related activity consist of the following in 2015:

	January 1, 2015	Support and Revenue	Net Assets Released From Restrictions	December 31, 2015
Time restricted	\$ 100,000	\$ 925,000	\$ (85,000)	\$ 940,000
Purpose restricted	8,544		(8,544)	-
	<u>\$ 108,544</u>	<u>\$ 925,000</u>	<u>\$ (93,544)</u>	<u>\$ 940,000</u>

Temporarily restricted net assets and related activity consist of the following in 2014:

	January 1, 2014	Support and Revenue	Net Assets Released From Restrictions	December 31, 2014
Time restricted	\$ 400,000	\$ 300,000	\$ (600,000)	\$ 100,000
Purpose restricted	51,671	25,000	(68,127)	8,544
Time and purpose restricted	53,399		(53,399)	-
	<u>\$ 505,070</u>	<u>\$ 325,000</u>	<u>\$ (721,526)</u>	<u>\$ 108,544</u>

# National Council of Nonprofits

## Notes to Financial Statements

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### F. COMMITMENTS AND CONTINGENCIES

*Office lease:* The Council leased office space under an operating lease with an original expiration date of March 31, 2022. In March 2015, the Council and its landlord agreed to terminate the lease as of June 30, 2015.

In March 2015, the Council entered into a lease (the new lease) for replacement office space. The new lease commenced on July 1, 2015 and expires on May 31, 2026. The new lease includes a tenant improvement allowance of approximately \$320,000 and a rental abatement of 10 months. The new lease provides for fixed increases in the annual base rent and also increases in operating expenses and real estate taxes. Under accounting principles generally accepted in the United States of America all rental payments, including fixed rent increases, are recognized on a straight-line basis over the term of the lease. Lease incentives are amortized over the life of the lease on a straight-line basis as an offset to rent expense. The difference between the straight-line rent expense and the required lease payments is reflected as a deferred rent and lease incentive liability in the accompanying statements of financial position.

Total rent expense for the years ended December 31, 2015 and 2014 was \$150,526 and \$191,034, respectively.

Future minimum lease payments for the office lease are as follows:

**Year Ending December 31,**

2016	\$ 148,242
2017	226,518
2018	232,176
2019	237,972
2020	243,912
Thereafter	<u>1,453,890</u>
	<b><u>\$ 2,542,710</u></b>

### G. RETIREMENT PLANS

The Council provides a retirement program for eligible full-time employees who are 21 years of age or older. The Council contributes to the employee's retirement plan after the employee completes one year of service. Eligible employees may contribute to the retirement plan at the beginning of employment. For the years ended December 31, 2015 and 2014, the Council contributed \$38,898 and \$36,586 to the Plan, respectively.