

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

NATIONAL COUNCIL OF NONPROFITS

DECEMBER 31, 2009

National Council of Nonprofits

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	3
FINANCIAL STATEMENTS	
STATEMENT OF FINANCIAL POSITION	4
STATEMENT OF ACTIVITIES	6
STATEMENT OF FUNCTIONAL EXPENSES	7
STATEMENT OF CASH FLOWS	8
NOTES TO FINANCIAL STATEMENTS	9

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
National Council of Nonprofits

We have audited the accompanying statement of financial position of the National Council of Nonprofits (a nonprofit organization) as of December 31, 2009, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the National Council of Nonprofit's management. Our responsibility is to express an opinion on the 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 also 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 Nonprofits as of December 31, 2009, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Reznick Group, P.C.

Bethesda, Maryland
August 11, 2010

National Council of Nonprofits

STATEMENT OF FINANCIAL POSITION

December 31, 2009

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 900,588
Contributions receivable, net	430,000
Accounts receivable, net	3,249
Prepaid expenses	<u>16,183</u>

Total current assets 1,350,020

FIXED ASSETS

Furniture and equipment	79,998
Leasehold improvements	<u>6,715</u>

Total cost 86,713

Less: Accumulated depreciation and amortization 72,889

Net fixed assets 13,824

OTHER ASSETS

Deposits	<u>8,834</u>
----------	--------------

Total assets \$ 1,372,678

(continued)

National Council of Nonprofits

STATEMENT OF FINANCIAL POSITION - CONTINUED

December 31, 2009

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued liabilities	\$ 157,904
Deferred revenue	1,699
Deferred rent	<u>6,598</u>
Total current liabilities	166,201

NON-CURRENT LIABILITIES

Deferred rent	<u>21,255</u>
Total liabilities	<u>187,456</u>

COMMITMENTS AND CONTINGENCIES

-

NET ASSETS

Unrestricted net assets	
Undesignated	39,040
Board designated reserve	<u>629,117</u>
Total unrestricted net assets	668,157
Temporarily restricted net assets	<u>517,065</u>
Total net assets	<u>1,185,222</u>
Total liabilities and net assets	<u><u>\$ 1,372,678</u></u>

See notes to financial statements

National Council of Nonprofits

STATEMENT OF ACTIVITIES

Year ended December 31, 2009

	Unrestricted	Temporarily restricted	Total
Revenue			
Contributions	\$ 668,464	\$ 538,000	\$ 1,206,464
Membership dues	133,629	-	133,629
Fees for service	32,925	-	32,925
Interest income	6,225	-	6,225
Other	2,448	-	2,448
Net assets released from donor restrictions	183,435	(183,435)	-
	<u>1,027,126</u>	<u>354,565</u>	<u>1,381,691</u>
Total revenue			
Expenses			
Program services			
Membership	366,543	-	366,543
Policy	193,764	-	193,764
Nonprofit Congress	159,018	-	159,018
Legislative/lobbying activities	20,212	-	20,212
	<u>739,537</u>	<u>-</u>	<u>739,537</u>
Total program services			
Supporting services			
General and administrative	323,788	-	323,788
Fundraising	18,676	-	18,676
	<u>342,464</u>	<u>-</u>	<u>342,464</u>
Total supporting services			
Total expenses	<u>1,082,001</u>	<u>-</u>	<u>1,082,001</u>
Change in net assets	(54,875)	354,565	299,690
Net assets, beginning of year	<u>723,032</u>	<u>162,500</u>	<u>885,532</u>
Net assets, end of year	<u>\$ 668,157</u>	<u>\$ 517,065</u>	<u>\$ 1,185,222</u>

See notes to financial statements

National Council of Nonprofits

STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2009

	Program services				Supporting services			Total expenses	
	Membership	Policy	Nonprofit congress	Legislative/ lobbying activities	Total program services	General and administrative	Fundraising		Total supporting services
Salaries and benefits	\$ 229,345	\$ 123,740	\$ 27,613	\$ 15,143	\$ 395,841	\$ 151,574	\$ 8,875	\$ 160,449	\$ 556,290
Professional fees	31,009	16,923	1,165	424	49,521	37,291	6,605	43,896	93,417
Office supplies	3,270	1,768	340	82	5,460	1,874	156	2,030	7,490
Telephone	2,497	1,419	319	138	4,373	1,714	90	1,804	6,177
Postage and shipping	602	395	166	34	1,197	286	39	325	1,522
Occupancy	44,596	26,084	6,538	2,346	79,564	38,839	2,094	40,933	120,497
Equipment rental/maintenance	1,557	1,218	343	16	3,134	3,014	26	3,040	6,174
Printing and duplicating	3,979	1,254	503	20	5,756	1,376	102	1,478	7,234
Books and publications	9,641	4,138	-	-	13,779	2,523	-	2,523	16,302
Travel	6,002	1,270	505	1,309	9,086	9,883	31	9,914	19,000
Conventions, meetings and conference	20,240	386	119,500	55	140,181	353	-	353	140,534
Depreciation and amortization	2,217	1,298	328	117	3,960	1,824	105	1,929	5,889
Insurance	-	-	-	-	-	13,445	-	13,445	13,445
Membership dues	1,725	-	-	-	1,725	1,100	-	1,100	2,825
Staff development	1,480	1,127	749	12	3,368	1,848	99	1,947	5,315
Outside computer service	8,383	12,744	949	516	22,592	24,618	454	25,072	47,664
Other expenses	-	-	-	-	-	32,226	-	32,226	32,226
Total	\$ 366,543	\$ 193,764	\$ 159,018	\$ 20,212	\$ 739,537	\$ 323,788	\$ 18,676	\$ 342,464	\$ 1,082,001

See notes to financial statements

National Council of Nonprofits

STATEMENT OF CASH FLOWS

Year ended December 31, 2009

Cash flows from operating activities	
Change in net assets	\$ 299,690
Adjustments to reconcile net assets to net cash provided by operating activities:	
Depreciation and amortization	5,889
Changes in assets and liabilities:	
Contributions receivable	(267,500)
Accounts receivable	1,249
Prepaid expenses	6,962
Accounts payable and accrued expenses	127,332
Deferred revenue	(1,576)
Deferred rent	4,269
	<hr/>
Net cash provided by operating activities	176,315
	<hr/>
Cash flows from investing activities	
Purchases of furniture and equipment	(1,795)
	<hr/>
Net cash used in investing activities	(1,795)
	<hr/>
NET INCREASE IN CASH AND CASH EQUIVALENTS	174,520
	<hr/>
Cash and cash equivalents, beginning of year	726,068
	<hr/>
Cash and cash equivalents, end of year	\$ 900,588
	<hr/> <hr/>

See notes to financial statements

National Council of Nonprofits

NOTES TO FINANCIAL STATEMENTS

December 31, 2009

NOTE 1 - ORGANIZATION AND PURPOSE

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER MATTERS

Basis of Presentation

These financial statements have been prepared on the accrual basis of accounting and are intended to present net assets, revenue, expenses, gains and losses based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

- Unrestricted net assets - Net assets not subject to donor-imposed restrictions.
- Temporarily restricted net assets - Net assets subject to donor-imposed restrictions that will be met by actions of the Organization and/or the passage of time.
- Permanently restricted net assets - Net assets subject to donor-imposed restrictions that they be maintained permanently by the Organization.

Revenue is reported as increases in unrestricted net assets unless uses of the related assets are limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

National Council of Nonprofits

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2009

Cash and Cash Equivalents

The Organization considers all highly liquid debt instruments and short-term money market instruments with original maturities of three months or less to be cash equivalents. Cash equivalents are carried at cost, which approximates fair value.

Contributions

Contributions, including unconditional promises to give, are recognized as revenue in the period received. Contributions with donor-imposed restrictions and unconditional promises to give with payments due in future periods are reported as support and added to temporarily or permanently restricted net assets. Contributions that are restricted by the donor but said restrictions expire in the year in which the contribution is recognized are recorded as increases in unrestricted net assets. 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. As of December 31, 2009, all contributions receivable are due within one year and are deemed fully collectible.

Contributions were 87% of total revenue and support for the year ended December 31, 2009.

Property and Equipment

The Organization 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.

Accounts Receivable

Accounts receivable consist primarily of amounts due from members and amounts due to the Organization in conjunction with performing their 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

National Council of Nonprofits

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2009

Organization's relationship with the customer, and the age of the receivable balance. As a result of these reviews, allowances are recorded for customer receivables deemed to be uncollectible. As of and or the year ended December 31, 2009, the accounts receivable balance is deemed fully collectible and management has not recorded an allowance for bad debt.

Deferred Rent

The Organization records rent expense on a straight-line basis on its office lease that contains fixed annual rental increases. The difference between rent expense and payments made under the lease are reflected as deferred rent.

Membership Dues

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

Functional Allocation of Expenses

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

Membership - Helps state associations of nonprofit organizations better serve local charities.

Policy - 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 the Organization to unite nonprofits and strengthen the charitable sector.

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

National Council of Nonprofits

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2009

Income Taxes

The Organization has received a determination letter from the Internal Revenue Service (IRS) to be treated as a tax exempt entity pursuant to section 501(c)(3) of the Internal Revenue Code (the Code). The Organization did not have any unrelated business income during the year ended December 31, 2009. Accordingly, no provision or benefit for income taxes has been recorded in the accompanying financial statements. The Organization is required to file and does file tax returns with the IRS and state agencies.

During 2009, the Organization adopted the accounting guidance pertaining to Accounting for Uncertainty in Income Taxes. For the year ended December 31, 2009, the Organization did not identify any uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

Accounting Standards Codification

In June 2009, the Financial Accounting Standards Board (FASB) issued the Accounting Standards Codification (the Codification). Effective July 1, 2009, the Codification is the single source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP). The Codification is intended to reorganize, rather than change, existing GAAP. Accordingly, all references to currently existing GAAP have been removed and have been replaced with explanations of the Organization's accounting policies. The adoption of the Codification did not have a material impact on the Organization's financial position or results of operations.

Subsequent Events

Events that occur after the date of the statement of financial position but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the date of the statement of financial position are recognized in the accompanying financial statements. Subsequent events which reflect significant matters but which provide evidence about conditions that existed after the date of the statement of financial position, require disclosure in the accompanying notes. The date through which subsequent events have been evaluated is also the date on which the financial statements were available to be issued. The additional disclosures required by this standard are included in note 9.

National Council of Nonprofits

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2009

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 and the disclosure of contingent assets and liabilities at the date of the financial statements and the revenue and expenses during the reporting period.

NOTE 3 - TEMPORARILY RESTRICTED NET ASSETS

At December 31, 2009, temporarily restricted net assets consisted of:

Time restricted	\$ 430,000
Purpose restricted	<u>87,065</u>
	<u>\$ 517,065</u>

NOTE 4 - NET ASSETS RELEASED FROM RESTRICTION

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

Passage of time	\$ 162,500
Satisfaction of donor-imposed purpose restrictions	<u>20,935</u>
	<u>\$ 183,435</u>

NOTE 5 - BOARD DESIGNATED NET ASSETS

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, 2009, \$31,137 of board designated net assets was drawn down by the Organization. All drawdowns were authorized by the Board of Directors.

National Council of Nonprofits

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2009

NOTE 6 - RETIREMENT PLANS

The Organization provides a retirement program for eligible full-time and part-time employees who are 21 years of age or older. The Organization 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. For the year ended December 31, 2009, the Organization contributed \$12,251 to the Plan.

NOTE 7 - LEASE OBLIGATIONS

On August 3, 2006, the Organization entered into a 61-month non-cancelable lease agreement for office space commencing on September 1, 2006. The total rent commitment is 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 deferred and amortized over the term of the lease.

Total rent expense for the year ended December 31, 2009 was \$120,497. Future minimum lease payments are as follows:

Year ended December 31, 2010	\$	120,854
2011		125,687
2012		85,994
		<hr/>
Total	\$	<u>332,535</u>

NOTE 8 - CONCENTRATIONS

As of December 31, 2009, the Organization's cash and cash equivalents balance consist of amounts held in both non-interest bearing and interest bearing checking accounts and a money market savings account at two financial institutions. Both financial institutions are a member of the Federal Deposit Insurance Corporation (FDIC). Deposit balances are insured up to \$100,000. Effective May 29, 2009, the FDIC temporarily increased its insurance on deposit accounts to \$250,000 through December 31, 2013. Furthermore, both financial institutions are participating in the FDIC's separate Transaction Guarantee Program which fully guarantees amounts on deposit in non-interest bearing transaction accounts through December 31, 2009. As of December 31, 2009, all amounts on deposit were insured. While at times, certain deposits may exceed the federal insurance limits, the Organization has not

National Council of Nonprofits

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2009

experienced any losses with respect to its deposit balances in excess of government provided insurance.

NOTE 9 - SUBSEQUENT EVENTS

Management has evaluated the activity of the Organization through August 11, 2010 (the date that the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition or disclosure in the financial statements.