



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, 2007, 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 2006 financial statements and in our report dated March 30, 2007, 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, 2007, 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*

March 7, 2008

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**FINANCIAL STATEMENTS**

**NATIONAL COUNCIL OF  
NONPROFIT ASSOCIATIONS**

**FOR THE YEAR ENDED DECEMBER 31, 2007  
WITH SUMMARIZED FINANCIAL  
INFORMATION FOR 2006**

NATIONAL COUNCIL OF NONPROFIT ASSOCIATIONS

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**NATIONAL COUNCIL OF NONPROFIT ASSOCIATIONS**  
**STATEMENT OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2007**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2006**

<b>ASSETS</b>		<u>2007</u>	<u>2006</u>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$	706,871	\$ 887,167
Grants receivable		205,000	175,000
Accounts receivable		7,169	2,733
Prepaid expenses		<u>23,993</u>	<u>22,989</u>
Total current assets		<u>943,033</u>	<u>1,087,889</u>
<b>FIXED ASSETS</b>			
Furniture and equipment		73,478	68,455
Leasehold improvements		<u>6,715</u>	<u>6,715</u>
		80,193	75,170
Less: Accumulated depreciation and amortization		<u>(61,301)</u>	<u>(55,849)</u>
Net fixed assets		<u>18,892</u>	<u>19,321</u>
<b>NON-CURRENT ASSETS</b>			
Security deposit		8,834	8,834
Grants receivable		<u>-</u>	<u>50,000</u>
Total non-current assets		<u>8,834</u>	<u>58,834</u>
<b>TOTAL ASSETS</b>		<b><u>\$ 970,759</u></b>	<b><u>\$ 1,166,044</u></b>

See accompanying notes to financial statements.

**LIABILITIES AND NET ASSETS**

	<b>2007</b>	<b>2006</b>
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 41,321	\$ 34,104
Deferred revenue	17,438	200
Deferred rent (Note 5)	120	4,173
Total current liabilities	58,879	38,477
<b>NON-CURRENT LIABILITIES</b>		
Deferred rent - net of current portion (Note 5)	23,584	15,358
Total liabilities	82,463	53,835
<b>NET ASSETS</b>		
Unrestricted:		
Undesignated	1,755	153,465
Board designated reserve (Note 6)	665,254	712,254
Total unrestricted	667,009	865,719
Temporarily restricted (Note 2)	221,287	246,490
Total net assets	888,296	1,112,209
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 970,759</b>	<b>\$ 1,166,044</b>

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, 2007**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2006**

	<u>2007</u>			<u>2006</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
<b>REVENUE</b>				
Foundation grants	\$ 155,000	\$ 264,690	\$ 419,690	\$ 963,500
Membership	84,322	-	84,322	71,527
Fees for service	32,868	-	32,868	35,194
Sponsorships	16,750	-	16,750	6,865
Conference and annual meetings	17,648	-	17,648	149,747
Interest income	23,748	-	23,748	27,238
Contributions	5,199	-	5,199	5,971
Other revenue	1,680	-	1,680	8,906
In-Kind contributions	-	-	-	477
Net assets released from donor restrictions (Note 3)	<u>289,893</u>	<u>(289,893)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>627,108</u>	<u>(25,203)</u>	<u>601,905</u>	<u>1,269,425</u>
<b>EXPENSES</b>				
Program services:				
Membership	190,973	-	190,973	321,842
Policy	145,202	-	145,202	192,369
Nonprofit Congress	271,985	-	271,985	431,727
Legislative / Lobbying Activities	<u>2,903</u>	<u>-</u>	<u>2,903</u>	<u>123</u>
Total program services	<u>611,063</u>	<u>-</u>	<u>611,063</u>	<u>946,061</u>
Supporting services:				
General and Administrative	200,441	-	200,441	206,198
Fundraising	<u>14,314</u>	<u>-</u>	<u>14,314</u>	<u>30,332</u>
Total supporting services	<u>214,755</u>	<u>-</u>	<u>214,755</u>	<u>236,530</u>
Total expenses	<u>825,818</u>	<u>-</u>	<u>825,818</u>	<u>1,182,591</u>
Change in net assets	(198,710)	(25,203)	(223,913)	86,834
Net assets at beginning of year	<u>865,719</u>	<u>246,490</u>	<u>1,112,209</u>	<u>1,025,375</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 667,009</u></b>	<b><u>\$ 221,287</u></b>	<b><u>\$ 888,296</u></b>	<b><u>\$ 1,112,209</u></b>

See accompanying notes to financial statements.

NATIONAL COUNCIL OF NONPROFIT ASSOCIATION

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2007  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2006

	2007				
	Program Services				
	Membership	Policy	Nonprofit Congress	Legislative/ Lobbying Activities	Total Program Services
Salaries and benefits (Note 4)	\$ 115,775	\$ 80,150	\$ 170,360	\$ 2,714	\$ 368,999
Professional fees	10,193	15,177	21,540	20	46,930
Office supplies	1,293	556	1,487	5	3,341
Telephone	2,944	2,046	3,137	7	8,134
Postage and shipping	165	105	5,314	-	5,584
Occupancy (Note 5)	28,220	16,853	39,620	117	84,810
Equipment rental/maintenance	1,236	962	2,373	9	4,580
Printing and duplicating	125	61	8,319	-	8,505
Books and publications	406	2,264	500	-	3,170
Travel	6,185	1,771	1,608	-	9,564
Conventions, meetings and conference	13,351	16	151	-	13,518
Depreciation and amortization	1,368	821	1,941	7	4,137
Insurance	316	181	410	1	908
Membership dues	381	203	450	-	1,034
Staff development	892	264	293	1	1,450
Outside computer services	8,100	23,760	14,462	22	46,344
Other expenses	23	12	20	-	55
<b>TOTAL</b>	<b>\$ 190,973</b>	<b>\$145,202</b>	<b>\$ 271,985</b>	<b>\$ 2,903</b>	<b>\$ 611,063</b>

See accompanying notes to financial statements.

2006				
<u>Supporting Services</u>				
<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	<u>Total</u>	<u>Total</u>
\$ 112,620	\$ 11,963	\$ 124,583	\$ 493,582	\$ 565,548
32,063	341	32,404	79,334	173,343
1,017	42	1,059	4,400	13,684
1,881	53	1,934	10,068	9,618
701	2	703	6,287	2,164
25,626	1,162	26,788	111,598	112,678
2,721	46	2,767	7,347	5,317
695	3	698	9,203	14,519
-	-	-	3,170	4,037
1,434	-	1,434	10,998	19,146
870	37	907	14,425	175,791
1,254	61	1,315	5,452	6,907
1,649	17	1,666	2,574	3,119
1,391	250	1,641	2,675	4,711
2,796	2	2,798	4,248	4,301
10,447	335	10,782	57,126	59,060
3,276	-	3,276	3,331	8,648
<u>\$ 200,441</u>	<u>\$ 14,314</u>	<u>\$ 214,755</u>	<u>\$ 825,818</u>	<u>\$ 1,182,591</u>

See accompanying notes to financial statements.



NATIONAL COUNCIL OF NONPROFIT ASSOCIATIONS  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED DECEMBER 31, 2007  
 WITH SUMMARIZED FINANCIAL INFORMATION FOR 2006

	<u>2007</u>	<u>2006</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (223,913)	\$ 86,834
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	5,452	6,907
(Increase) decrease in:		
Grants receivable	20,000	(75,000)
Accounts receivable	(4,436)	(2,006)
Prepaid expenses	(1,004)	(6,290)
Security deposit	-	(1,016)
Increase (decrease) in:		
Accounts payable and accrued liabilities	7,217	(18,384)
Deferred revenue	17,238	(4,460)
Deferred rent	<u>4,173</u>	<u>19,531</u>
Net cash provided (used) by operating activities	<u>(175,273)</u>	<u>6,116</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of furniture and equipment	<u>(5,023)</u>	<u>(17,206)</u>
Net cash used by investing activities	<u>(5,023)</u>	<u>(17,206)</u>
Net decrease in cash and cash equivalents	(180,296)	(11,090)
Cash and cash equivalents at beginning of year	<u>887,167</u>	<u>898,257</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 706,871</u>	<u>\$ 887,167</u>

NATIONAL COUNCIL OF NONPROFIT ASSOCIATIONS

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2007

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 the organization's financial statements for the year ended December 31, 2006, 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, 2007

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.

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** - 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.

**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, 2007

2. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2007 consisted of:

Time Restricted	\$ 80,000
Policy and Advocacy	125,000
Financial Planning	<u>16,287</u>
	<u>\$ 221,287</u>

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	\$ 125,000
Financial Planning	7,653
Collaborative Efforts	21,490
Policy and advocacy	135,000
Other	<u>750</u>
	<u>\$ 289,893</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 \$20,381 for the year ended December 31, 2007.

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 benefit realized for the year ended December 31, 2007 was \$23,704.

NATIONAL COUNCIL OF NONPROFIT ASSOCIATIONS

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2007

5. LEASE COMMITMENT (Continued)

The total amount of rent expense at December 31, 2007 was \$111,598. Future minimum lease payments are as follows:

Year Ended December 31,

2008	\$ 111,718
2009	116,187
2010	120,854
2011	<u>93,439</u>
	<u>\$ 442,198</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 Board discretion. Management's goal is to maintain at least six months worth of operating expenses in the fund. During the year ended December 31, 2007, the Board of Directors authorized drawdowns in amounts up to \$400,000, but only \$47,000 was utilized.