

# **National Council of Nonprofits**

Financial Report  
December 31, 2020

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## Independent Auditor's Report

RSM US LLP

Board of Directors  
National Council of Nonprofits

### Report on the Financial Statements

We have audited the accompanying financial statements of the National Council of Nonprofits (the Council), which comprise the statements of financial position as of December 31, 2020 and 2019, the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the 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 audits. We conducted our audits 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 from 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, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*RSM US LLP*

Washington, D.C.  
October 6, 2021

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**National Council of Nonprofits**

**Statements of Financial Position  
December 31, 2020 and 2019**

|  | 2020                | 2019                |
|--|---------------------|---------------------|
| <b>Assets</b>                                      |                     |                     |
| Cash and cash equivalents                          | \$ 1,327,572        | \$ 788,724          |
| Investments  | 658,752             | 383,588             |
| Accounts receivable                                | 20,958              | 8,300               |
| Contributions receivable                           | 547,351             | 333,611             |
| Prepaid expenses                                   | 25,788              | 24,005              |
| Security deposit asset                             | 54,567              | 54,567              |
| Property and equipment, net                        | 149,720             | 184,411             |
|  | <hr/>               | <hr/>               |
| <b>Total assets</b>                                | <b>\$ 2,784,708</b> | <b>\$ 1,777,206</b> |
|  | <hr/> <hr/>         | <hr/> <hr/>         |
| <b>Liabilities and Net Assets</b>                  |                     |                     |
| Liabilities:                                       |                     |                     |
| Accounts payable and accrued expenses              | \$ 68,833           | \$ 74,317           |
| PPP loan payable                                   | 131,105             | -                   |
| Deferred revenue                                   | 8,250               | 4,875               |
| Deferred rent                                      | 337,649             | 380,999             |
|  | <hr/>               | <hr/>               |
| <b>Total liabilities</b>                           | <b>545,837</b>      | <b>460,191</b>      |
| Commitments and contingencies (Note 6)             |                     |                     |
| Net assets:  |                     |                     |
| Without donor restrictions – undesignated          | 850,343             | 243,478             |
| Without donor restrictions – designated            | 543,757             | 443,757             |
|  | <hr/>               | <hr/>               |
| <b>Total net assets without donor restrictions</b> | <b>1,394,100</b>    | <b>687,235</b>      |
|  | <hr/>               | <hr/>               |
| With donor restrictions                            | 844,771             | 629,780             |
|  | <hr/>               | <hr/>               |
| <b>Total net assets</b>                            | <b>2,238,871</b>    | <b>1,317,015</b>    |
|  | <hr/>               | <hr/>               |
| <b>Total liabilities and net assets</b>            | <b>\$ 2,784,708</b> | <b>\$ 1,777,206</b> |
|  | <hr/> <hr/>         | <hr/> <hr/>         |

See notes to financial statements.

## National Council of Nonprofits

### Statements of Activities

Years Ended December 31, 2020 and 2019

|                                      | 2020                       |                         |                  | 2019                       |                         |                  |
|--------------------------------------|----------------------------|-------------------------|------------------|----------------------------|-------------------------|------------------|
|                                      | Without Donor Restrictions | With Donor Restrictions | Total            | Without Donor Restrictions | With Donor Restrictions | Total            |
| Revenue and support:                 |                            |                         |                  |                            |                         |                  |
| Contributions                        | \$ 307,039                 | \$ 1,938,740            | \$ 2,245,779     | \$ 33,260                  | \$ 1,340,783            | \$ 1,374,043     |
| Membership dues                      | 286,695                    | -                       | 286,695          | 301,000                    | -                       | 301,000          |
| Fees for service                     | 105,403                    | -                       | 105,403          | 111,281                    | -                       | 111,281          |
| Contributed services                 | 96,250                     | -                       | 96,250           | 39,870                     | -                       | 39,870           |
| Sponsorship                          | 36,150                     | -                       | 36,150           | 125,400                    | -                       | 125,400          |
| Investment earnings                  | 26,896                     | -                       | 26,896           | 42,289                     | -                       | 42,289           |
| Other                                | 1,039                      | -                       | 1,039            | 3,211                      | -                       | 3,211            |
| Net assets released from restriction | 1,723,749                  | (1,723,749)             | -                | 1,493,831                  | (1,493,831)             | -                |
| <b>Total revenue and support</b>     | <b>2,583,221</b>           | <b>214,991</b>          | <b>2,798,212</b> | <b>2,150,142</b>           | <b>(153,048)</b>        | <b>1,997,094</b> |
| Expenses:                            |                            |                         |                  |                            |                         |                  |
| Program services:                    |                            |                         |                  |                            |                         |                  |
| Public policy advocacy               | 568,038                    | -                       | 568,038          | 611,450                    | -                       | 611,450          |
| Communications                       | 383,648                    | -                       | 383,648          | 296,482                    | -                       | 296,482          |
| Network support                      | 349,233                    | -                       | 349,233          | 331,990                    | -                       | 331,990          |
| Lobbying activities                  | 188,127                    | -                       | 188,127          | 65,889                     | -                       | 65,889           |
| <b>Total program services</b>        | <b>1,489,046</b>           | <b>-</b>                | <b>1,489,046</b> | <b>1,305,811</b>           | <b>-</b>                | <b>1,305,811</b> |
| Supporting services:                 |                            |                         |                  |                            |                         |                  |
| Fundraising                          | 244,267                    | -                       | 244,267          | 178,939                    | -                       | 178,939          |
| General and administrative           | 143,043                    | -                       | 143,043          | 205,312                    | -                       | 205,312          |
| <b>Total supporting services</b>     | <b>387,310</b>             | <b>-</b>                | <b>387,310</b>   | <b>384,251</b>             | <b>-</b>                | <b>384,251</b>   |
| <b>Total expenses</b>                | <b>1,876,356</b>           | <b>-</b>                | <b>1,876,356</b> | <b>1,690,062</b>           | <b>-</b>                | <b>1,690,062</b> |
| <b>Change in net assets</b>          | <b>706,865</b>             | <b>214,991</b>          | <b>921,856</b>   | <b>460,080</b>             | <b>(153,048)</b>        | <b>307,032</b>   |
| Net assets:                          |                            |                         |                  |                            |                         |                  |
| Beginning                            | 687,235                    | 629,780                 | 1,317,015        | 227,155                    | 782,828                 | 1,009,983        |
| Ending                               | \$ 1,394,100               | \$ 844,771              | \$ 2,238,871     | \$ 687,235                 | \$ 629,780              | \$ 1,317,015     |

See notes to financial statements.

## National Council of Nonprofits

### Statement of Functional Expenses Year Ended December 31, 2020

|                                  | Program Services                 |                   |                    |                   |                              | Supporting Services |                                  |                                 |                     | Total |
|----------------------------------|----------------------------------|-------------------|--------------------|-------------------|------------------------------|---------------------|----------------------------------|---------------------------------|---------------------|-------|
|                                  | Public Policy<br>and<br>Advocacy | Communications    | Network<br>Support | Lobbying          | Total<br>Program<br>Services | Fundraising         | General<br>and<br>Administrative | Total<br>Supporting<br>Services |                     |       |
| Expenses:                        |                                  |                   |                    |                   |                              |                     |                                  |                                 |                     |       |
| Salaries and benefits            | \$ 358,030                       | \$ 135,836        | \$ 204,549         | \$ 145,724        | \$ 844,139                   | \$ 165,500          | \$ 64,906                        | \$ 230,406                      | \$ 1,074,545        |       |
| Professional fees                | 11,426                           | 190,346           | 19,040             | -                 | 220,812                      | 28,919              | 54,257                           | 83,176                          | 303,988             |       |
| Occupancy                        | 69,855                           | 25,221            | 41,057             | 31,521            | 167,654                      | 34,856              | 9,691                            | 44,547                          | 212,201             |       |
| Teleconferences                  | 53,737                           | -                 | 13,449             | -                 | 67,186                       | -                   | -                                | -                               | 67,186              |       |
| Books and publications           | 46,618                           | 10,638            | 699                | 19                | 57,974                       | 1,515               | 985                              | 2,500                           | 60,474              |       |
| Depreciation and amortization    | 11,993                           | 4,378             | 6,983              | 5,253             | 28,607                       | 5,862               | 2,195                            | 8,057                           | 36,664              |       |
| Travel                           | -                                | -                 | 30,568             | -                 | 30,568                       | 975                 | 1,471                            | 2,446                           | 33,014              |       |
| Conventions and meetings         | -                                | -                 | 25,234             | -                 | 25,234                       | -                   | 3,493                            | 3,493                           | 28,727              |       |
| Outside computer service         | 5,796                            | 13,594            | 3,037              | 2,246             | 24,673                       | 2,428               | 861                              | 3,289                           | 27,962              |       |
| Telephone                        | 5,070                            | 1,935             | 3,229              | 2,468             | 12,702                       | 2,765               | 934                              | 3,699                           | 16,401              |       |
| Insurance                        | 1,738                            | 667               | 835                | 506               | 3,746                        | 686                 | 277                              | 963                             | 4,709               |       |
| Equipment rental and maintenance | 995                              | 344               | 547                | 386               | 2,272                        | 476                 | 180                              | 656                             | 2,928               |       |
| Membership dues                  | 2,559                            | -                 | -                  | -                 | 2,559                        | 280                 | -                                | 280                             | 2,839               |       |
| Staff development                | 156                              | 665               | -                  | -                 | 821                          | -                   | 1,302                            | 1,302                           | 2,123               |       |
| Supplies                         | 51                               | -                 | -                  | -                 | 51                           | -                   | 1,461                            | 1,461                           | 1,512               |       |
| Printing and duplicating         | -                                | -                 | -                  | -                 | -                            | -                   | 711                              | 711                             | 711                 |       |
| Other expenses                   | -                                | -                 | -                  | -                 | -                            | -                   | 297                              | 297                             | 297                 |       |
| Postage and shipping             | 14                               | 24                | 6                  | 4                 | 48                           | 5                   | 22                               | 27                              | 75                  |       |
| <b>Total expenses</b>            | <b>\$ 568,038</b>                | <b>\$ 383,648</b> | <b>\$ 349,233</b>  | <b>\$ 188,127</b> | <b>\$ 1,489,046</b>          | <b>\$ 244,267</b>   | <b>\$ 143,043</b>                | <b>\$ 387,310</b>               | <b>\$ 1,876,356</b> |       |

See notes to financial statements.

**National Council of Nonprofits**

**Statement of Functional Expenses  
Year Ended December 31, 2019**

|                                  | Program Services                 |                   |                    |                  |                              | Supporting Services |                                  |                                 |                     | Total |
|----------------------------------|----------------------------------|-------------------|--------------------|------------------|------------------------------|---------------------|----------------------------------|---------------------------------|---------------------|-------|
|                                  | Public Policy<br>and<br>Advocacy | Communications    | Network<br>Support | Lobbying         | Total<br>Program<br>Services | Fundraising         | General<br>and<br>Administrative | Total<br>Supporting<br>Services |                     |       |
| Expenses:                        |                                  |                   |                    |                  |                              |                     |                                  |                                 |                     |       |
| Salaries and benefits            | \$ 423,379                       | \$ 170,343        | \$ 188,692         | \$ 50,196        | \$ 832,610                   | \$ 116,503          | \$ 80,198                        | \$ 196,701                      | \$ 1,029,311        |       |
| Professional fees                | 8,578                            | 54,223            | 14,285             | 2                | 77,088                       | 26,309              | 63,641                           | 89,950                          | 167,038             |       |
| Occupancy                        | 90,830                           | 37,981            | 37,152             | 10,639           | 176,602                      | 22,820              | 16,141                           | 38,961                          | 215,563             |       |
| Books and publications           | 43,868                           | 2,585             | 356                | -                | 46,809                       | 1,199               | 412                              | 1,611                           | 48,420              |       |
| Depreciation and amortization    | 18,600                           | 7,617             | 7,733              | 2,277            | 36,227                       | 5,088               | 3,530                            | 8,618                           | 44,845              |       |
| Travel                           | 3,437                            | -                 | 6,591              | -                | 10,028                       | 1,835               | 25,792                           | 27,627                          | 37,655              |       |
| Conventions and meetings         | 112                              | -                 | 70,367             | 725              | 71,204                       | -                   | 4,331                            | 4,331                           | 75,535              |       |
| Outside computer service         | 6,927                            | 13,665            | 2,378              | 788              | 23,758                       | 1,751               | 1,315                            | 3,066                           | 26,824              |       |
| Telephone                        | 5,707                            | 2,476             | 2,399              | 746              | 11,328                       | 2,212               | 7,396                            | 9,608                           | 20,936              |       |
| Insurance                        | 2,353                            | 1,076             | 1,028              | 333              | 4,790                        | 676                 | 471                              | 1,147                           | 5,937               |       |
| Equipment rental and maintenance | 1,505                            | 635               | 643                | 183              | 2,966                        | 394                 | 366                              | 760                             | 3,726               |       |
| Membership dues                  | 2,000                            | -                 | -                  | -                | 2,000                        | -                   | -                                | -                               | 2,000               |       |
| Staff development                | 1,791                            | 99                | -                  | -                | 1,890                        | -                   | 839                              | 839                             | 2,729               |       |
| Supplies                         | -                                | -                 | 285                | -                | 285                          | 10                  | 485                              | 495                             | 780                 |       |
| Printing and duplicating         | 2,363                            | 4,946             | 30                 | -                | 7,339                        | -                   | -                                | -                               | 7,339               |       |
| Other expenses                   | -                                | 500               | -                  | -                | 500                          | -                   | 298                              | 298                             | 798                 |       |
| Postage and shipping             | -                                | 336               | 51                 | -                | 387                          | 142                 | 97                               | 239                             | 626                 |       |
| <b>Total expenses</b>            | <b>\$ 611,450</b>                | <b>\$ 296,482</b> | <b>\$ 331,990</b>  | <b>\$ 65,889</b> | <b>\$ 1,305,811</b>          | <b>\$ 178,939</b>   | <b>\$ 205,312</b>                | <b>\$ 384,251</b>               | <b>\$ 1,690,062</b> |       |

See notes to financial statements.

**National Council of Nonprofits**

**Statements of Cash Flows**  
**Years Ended December 31, 2020 and 2019**

|   | 2020                | 2019              |
|---|---------------------|-------------------|
| Cash flows from operating activities:   |                     |                   |
| Change in net assets  | \$ 921,856          | \$ 307,032        |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: |                     |                   |
| Depreciation and amortization   | 36,664              | 44,845            |
| Net realized and unrealized gain on investments   | (28,956)            | (45,061)          |
| Deferred rent   | (43,350)            | (37,409)          |
| Changes in assets and liabilities:  |                     |                   |
| (Increase) decrease in:   |                     |                   |
| Accounts receivable   | (12,658)            | (749)             |
| Contributions receivable  | (213,740)           | 199,217           |
| Prepaid expenses  | (1,783)             | 3,824             |
| Increase (decrease) in:   |                     |                   |
| Accounts payable and accrued expenses   | (5,484)             | 17,576            |
| Deferred revenue  | 3,375               | (4,497)           |
| <b>Net cash provided by operating activities</b>  | <b>655,924</b>      | <b>484,778</b>    |
| Cash flows from investing activities:   |                     |                   |
| Purchases of property and equipment   | (1,973)             | -                 |
| Proceeds from sale of investments   | 110,048             | 5,865             |
| Purchases of investments  | (356,256)           | (2,279)           |
| <b>Net cash (used in) provided by investing activities</b>                                  | <b>(248,181)</b>    | <b>3,586</b>      |
| Cash flows from financing activities:   |                     |                   |
| Proceeds from PPP loan  | 131,105             | -                 |
| <b>Net cash provided by financing activities</b>  | <b>131,105</b>      | <b>-</b>          |
| <b>Net increase in cash and cash equivalents</b>  | <b>538,848</b>      | <b>488,364</b>    |
| Cash and cash equivalents:  |                     |                   |
| Beginning   | 788,724             | 300,360           |
| Ending  | <b>\$ 1,327,572</b> | <b>\$ 788,724</b> |

See notes to financial statements.



## National Council of Nonprofits

### Notes to Financial Statements

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#### Note 1. Nature of Activities and Significant Accounting Policies

**Nature of activities:** 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.

A summary of the Council's significant accounting policies follows:

**Basis of presentation:** The financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). As required by the Not-for-Profit Entities Topic of the FASB ASC, the Council is required to report information regarding its financial position and activities according to the following classes of net assets:

**Net assets without donor restrictions, undesignated:** Net assets whose use is not restricted by donors or internally designated for other uses.

**Net assets without donor restrictions, designated:** 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.

**Net assets with donor restrictions:** 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.

**Use of estimates:** The preparation of financial statements in accordance with generally accepted accounting principles (U.S. GAAP) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**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 (IRC) and has been classified by the Internal Revenue Service as other than a private foundation. The Council's newsletter advertising is considered to be unrelated business income.

**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, 2020 and 2019, cash and cash equivalents were comprised of bank deposits and money market funds.

**Investments:** Investments in marketable 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 classified as without donor restrictions or with donor restrictions, depending on whether external restrictions were imposed on the gains and losses at the time of the initial investment.

**Financial risk:** The Council maintains its cash in bank deposit accounts and money market funds. At times, certain balances held within these accounts may not be fully guaranteed or insured by the U.S. federal government. The Council has not experienced any losses in such accounts. The Council believes it is not exposed to any significant financial risk on cash.

## National Council of Nonprofits

### Notes to Financial Statements

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#### Note 1. Nature of Activities and Significant Accounting Policies (Continued)

The Council invests in a portfolio that contains various investment securities. Such investments are exposed to various risks, such as market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risk in the near-term could materially affect investment balances and the amounts reported in the financial statements.

**Accounts receivable:** Accounts receivable consists primarily of amounts due from members and amounts due to the Council in conjunction with performing the Council'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, 2020 and 2019, the accounts receivable balance is deemed fully collectible and management has not recorded an allowance for bad debt.

**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. Furniture, equipment and website costs 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.

**Valuation of long-lived assets:** The Council reviews property and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value, less costs to sell.

**Deferred rent:** The Council has a lease agreement for office space. In addition to annual escalating payments over the life of the lease, the agreement provides for a leasehold improvement allowance. The rent increases in future years and improvement allowance are being recognized on a straight-line basis over the life of the lease agreement.

**Revenue recognition:** Membership dues are recognized as revenue over the period of membership, which is on a calendar year basis. Membership dues provide economic as well as other benefits to members and are therefore accounted for as exchange transactions rather than as contributions. All distinct performance obligations are recognized over the same period of time.

Recognition of sponsorship and fees for service revenue is focused on whether a performance obligation is satisfied over time or at a point in time. If a performance obligation meets certain specific criteria, the related revenue is recognized over time if the Council is able to reasonably measure its progress toward complete satisfaction of the performance obligation using reliable information. If the certain criteria is not met, revenue is recognized at a point in time.

The Council records deferred revenue in situations when amounts are invoiced or paid but the revenue recognition criteria outlined above are not met. Such revenue is recognized when all criteria are subsequently met.

## National Council of Nonprofits

### Notes to Financial Statements

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#### Note 1. Nature of Activities and Significant Accounting Policies (Continued)

The revenue streams noted above do not include significant financing components as the performance obligations are typically satisfied within a year of receipt of payment. Economic downturns can affect the level of revenues for all the revenue streams or can have a positive impact on cash flows in favorable economic times.

Revenue recognition on contributions deemed to be non-exchange transactions will follow contribution accounting discussed below.

**Contributions:** Unconditional contributions are recorded as without donor restrictions or with donor restrictions, depending upon the existence and/or nature of such restrictions. Support that is restricted by donors is reported as an increase in net assets with donor restrictions and then reclassified to net assets without donor restrictions when the restriction expires. 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, 2020 and 2019:

|                                    | 2020              | 2019              |
|------------------------------------|-------------------|-------------------|
| Amounts due in less than one year  | \$ 298,000        | \$ 290,000        |
| Amounts due in one to five years   | 250,000           | 45,000            |
|                                    | <u>548,000</u>    | <u>335,000</u>    |
| Less discount to net present value | (649)             | (1,389)           |
|                                    | <u>\$ 547,351</u> | <u>\$ 333,611</u> |

As of December 31, 2020 and 2019, 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, 2020 and 2019.

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

**Contributed 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 (c) would typically need to be purchased if not provided by donation. The Council receives in-kind donations of travel vouchers, communications, and consulting services. The amounts reflected in the accompanying financial statements as contributed services are offset by like amounts included in expenses. For the years ended December 31, 2020 and 2019, contributed services amounted to \$96,250 and \$39,870, respectively.

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 the criteria for recognition of such efforts under U.S. GAAP have not been satisfied.

## National Council of Nonprofits

### Notes to Financial Statements

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#### Note 1. Nature of Activities and Significant Accounting Policies (Continued)

**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. Allocable costs, such as salaries and benefits, occupancy and phone and internet service have been allocated among the program and supporting services benefited based on estimated level of effort. The Council's programs are identified below:

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

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

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

**Lobbying activities:** Advocates through direct lobbying and grassroots lobbying per the definitions under the IRC. The Council has filed the 501(h) election, as provided by the IRC.

**Adopted accounting pronouncements:** During the year ended December 31, 2020, the Council adopted the guidance regarding contributions made from Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard is intended to clarify and improve the scope and the accounting guidance for contributions received and contributions made. Key provisions of this standard include clarification regarding the accounting for grants and contracts as exchange transactions or contributions, and improved guidance to better distinguish between conditional and unconditional contributions. Based on the Council's review of its contributions made, the timing and amount of expense recognized previously is consistent with how expenses are recognized under this new standard. The Council adopted the guidance regarding contributions received from ASU 2018-08 during the year ended December 31, 2019.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*. The ASU results in the removal, modification and addition of certain disclosure requirements related to transfers between levels within the fair value hierarchy, valuation processes and unrealized gains/losses presentation for Level 3 measurements, and liquidation timing for investments held at net asset value. The changes in this ASU should generally be applied on a retrospective basis in the year that the ASU is first applied except for the changes related to Level 3 measurements which should be applied prospectively. The Council adopted the new standard effective for the year ended December 31, 2020. The adoption of this standard did not have a significant impact on the Council's financial statements.

**Recent accounting pronouncements:** In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statements of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statements of activities. The new standard is effective, as amended by ASU 2020-05, for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practice expedients available. The Council has not yet evaluated the impact of this ASU on the financial statements.

## National Council of Nonprofits

### Notes to Financial Statements

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#### Note 1. Nature of Activities and Significant Accounting Policies (Continued)

In September 2020, the FASB issued ASU 2020-08, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires a not-for-profit entity to present contributed nonfinancial assets in the statements of activities as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. This ASU is effective for the Council's fiscal year ending December 31, 2022. ASU 2020-07 is not expected to have a significant impact on the Council's financial statements.

**Subsequent events:** Material subsequent events have been considered for disclosure and recognition in these financial statements through October 6, 2021, the date the financial statements were available to be issued.

#### Note 2. Investments

In accordance with U.S. GAAP, 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.

Investments are reported at fair value and consist of the following at December 31, 2020 and 2019:

| 2020                              | Total             | Level 1    | Level 2 | Level 3 |
|-----------------------------------|-------------------|------------|---------|---------|
| Mutual funds – fixed income       | \$ 557,626        | \$ 557,626 | \$ -    | \$ -    |
| Mutual funds – equities           | 55,484            | 55,484     | -       | -       |
| Mutual funds – alternatives       | 30,503            | 30,503     | -       | -       |
| Exchange-traded funds             | 10,375            | 10,375     | -       | -       |
| Common stocks                     | 546               | 546        | -       | -       |
| Investments carried at fair value | 654,534           | \$ 654,534 | \$ -    | \$ -    |
| Cash*                             | 4,218             |            |         |         |
| Total investments                 | <u>\$ 658,752</u> |            |         |         |

## National Council of Nonprofits

### Notes to Financial Statements

#### Note 2. Investments (Continued)

| 2019                              | Total             | Level 1    | Level 2 | Level 3 |
|-----------------------------------|-------------------|------------|---------|---------|
| Mutual funds – fixed income       | \$ 194,356        | \$ 194,356 | \$ -    | \$ -    |
| Mutual funds – equities           | 101,008           | 101,008    | -       | -       |
| Mutual funds – alternatives       | 63,462            | 63,462     | -       | -       |
| Exchange-traded funds             | 19,151            | 19,151     | -       | -       |
| Common stocks                     | 562               | 562        | -       | -       |
| Investments carried at fair value | 378,539           | \$ 378,539 | \$ -    | \$ -    |
| Cash*                             | 5,049             |            |         |         |
| Total investments                 | <u>\$ 383,588</u> |            |         |         |

\*Cash included in the investment portfolio is not subject to provisions of fair value measurements as it is recorded at cost.

The following is a summary of the earnings from investments for the years ended December 31, 2020 and 2019:

|   | 2020             | 2019             |
|---|------------------|------------------|
| Net realized and unrealized gain on investments | \$ 28,956        | \$ 45,061        |
| Dividend and interest income                    | 1,731            | 818              |
| Investment fees                                 | (3,791)          | (3,590)          |
|   | <u>\$ 26,896</u> | <u>\$ 42,289</u> |

#### Note 3. Liquidity and Availability of Financial Assets

Financial assets available for the Council's general expenditure, that is, financial assets without donor or other restrictions limiting their use, within one year of the date of the statement of financial position, are comprised of the following as of December 31, 2020 and 2019:

|  | 2020                | 2019                |
|--|---------------------|---------------------|
| Cash and cash equivalents  | \$ 1,327,572        | \$ 788,724          |
| Investments  | 658,752             | 383,588             |
| Accounts receivable  | 20,958              | 8,300               |
| Contributions receivable   | 547,351             | 333,611             |
| Subtotal financial assets  | 2,554,633           | 1,514,223           |
| Amounts not available within one year:   |                     |                     |
| Less contributions receivable due in one to five years, net                            | (249,351)           | (43,611)            |
| Less net assets designated for specific purposes                                       | (543,757)           | (443,757)           |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$ 1,761,525</u> | <u>\$ 1,026,855</u> |

## National Council of Nonprofits

### Notes to Financial Statements

#### Note 3. Liquidity and Availability of Financial Assets (Continued)

The Council manages its financial assets to be available as its operating expenditures, liabilities and other obligations come due. In addition, financial assets in excess of daily cash requirements are invested in financial instruments that can be converted to cash within a short period of time in accordance with the Council's investment policy. The Council's designated net assets consist of an operating reserve established by the Board of Directors with the goal of maintaining at least six months' worth of operating expenses in the fund.

#### Note 4. Property and Equipment

Property and equipment consists of the following at December 31, 2020 and 2019:

|  | 2020              | 2019              |
|--|-------------------|-------------------|
| Furniture and equipment                        | \$ 130,727        | \$ 128,754        |
| Leasehold improvements                         | 284,981           | 284,981           |
| Capitalized website costs                      | 31,838            | 31,838            |
|  | <u>447,546</u>    | <u>445,573</u>    |
| Less accumulated depreciation and amortization | (297,826)         | (261,162)         |
| Property and equipment, net                    | <u>\$ 149,720</u> | <u>\$ 184,411</u> |

Depreciation expense and amortization for the years ended December 31, 2020 and 2019, amounted to \$36,664 and \$44,845, respectively.

#### Note 5. Net Assets

Net assets with donor restrictions and related activity consist of the following in 2020:

|                    | January 1, 2020   | Support<br>and Revenue | Net Assets<br>Released From<br>Restrictions | December 31, 2020 |
|--------------------|-------------------|------------------------|---|-------------------|
| Time restricted    | \$ 433,611        | \$ 1,638,320           | \$ (1,527,580)                              | \$ 544,351        |
| Purpose restricted | 196,169           | 300,420                | (196,169)                                   | 300,420           |
|                    | <u>\$ 629,780</u> | <u>\$ 1,938,740</u>    | <u>\$ (1,723,749)</u>                       | <u>\$ 844,771</u> |

Net assets with donor restrictions and related activity consist of the following in 2019:

|                    | January 1, 2019   | Support<br>and Revenue | Net Assets<br>Released From<br>Restrictions | December 31, 2019 |
|--------------------|-------------------|------------------------|---|-------------------|
| Time restricted    | \$ 782,828        | \$ 940,783             | \$ (1,290,000)                              | \$ 433,611        |
| Purpose restricted | -                 | 400,000                | (203,831)                                   | 196,169           |
|                    | <u>\$ 782,828</u> | <u>\$ 1,340,783</u>    | <u>\$ (1,493,831)</u>                       | <u>\$ 629,780</u> |

## National Council of Nonprofits

### Notes to Financial Statements

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#### Note 6. Commitments and Contingencies

**Office lease:** The Council leases office space with an expiration date of April 30, 2026. The lease includes a tenant improvement allowance of approximately \$320,000 and a rental abatement of 10 months. The lease provides for fixed increases in the annual base rent and also increases in operating expenses and real estate taxes. Under U.S. GAAP 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, 2020 and 2019, was \$212,201 and \$215,563, respectively.

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

|                           |                     |
|---------------------------|---------------------|
| Years ending December 31: |                     |
| 2021                      | \$ 250,020          |
| 2022                      | 256,284             |
| 2023                      | 262,686             |
| 2024                      | 269,238             |
| 2025                      | 275,970             |
| Thereafter                | 93,128              |
|                           | <u>\$ 1,407,326</u> |

**COVID-19 pandemic:** Management is continually monitoring the potential impact of the coronavirus (COVID-19) pandemic on the Council. Management will review and adjust planned operations should it be determined the outbreak will significantly impact the financial position and activities of the Council.

On May 1, 2020, the Council obtained a loan totaling \$131,105, pursuant to the Paycheck Protection Program (PPP) under Division A, Title I of the CARES Act of March 27, 2020. The Council has elected to account for the loan as a financial liability until the time at which forgiveness is received. Under the terms of the agreement, a deferment period of seven months begins on the date of the note, and monthly payments will commence if communication of loan forgiveness from the Small Business Administration (SBA) is not received. The loan bears interest at fixed rate of 1% and is not secured by any property of the Council. In May 2021, the SBA approved forgiveness of the entire loan and all accrued interest.

#### Note 7. 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, 2020 and 2019, the Council contributed \$40,483 and \$39,242 to the Plan, respectively.