

Audited Financial Statements
NATIONAL COUNCIL OF NONPROFITS
December 31, 2018

National Council of Nonprofits

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T A T E



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A Professional Corporation

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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 statements of financial position as of December 31, 2018 and 2017, and 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 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, 2018 and 2017, 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.

Adoption of Accounting Standards Update 2016-14

As described in Note A to the financial statements, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). As required by the FASB, the Council adopted the provisions of ASU 2016-14 during the year ended December 31, 2018. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and the availability of resources. There was no change in the Council's previously reported change in net assets as a result of the adoption of the ASU. Our opinion is not modified with respect to this matter.

Washington, DC
July 25, 2019

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National Council of Nonprofits

Statements of Financial Position

| December 31, | 2018 | 2017 |
|---|---------------------|---------------------|
| Assets | | |
| Cash and cash equivalents | \$ 300,360 | \$ 279,503 |
| Investments | 342,113 | 700,267 |
| Accounts receivable | 7,551 | 9,175 |
| Contributions receivable | 532,828 | 425,000 |
| Prepaid expenses | 27,829 | 25,237 |
| Security deposit asset | 54,567 | 54,567 |
| Property and equipment, net | 229,256 | 267,963 |
| Total assets | \$ 1,494,504 | \$ 1,761,712 |
| Liabilities and Net Assets | | |
| Liabilities | | |
| Accounts payable and accrued expenses | \$ 56,741 | \$ 84,814 |
| Deferred revenue | 9,372 | 375 |
| Deferred rent and lease incentive | 418,408 | 450,017 |
| Total liabilities | 484,521 | 535,206 |
| Net assets (deficit) | | |
| Without donor restrictions - undesignated | (216,602) | (179,231) |
| Without donor restrictions - designated | 443,757 | 568,257 |
| Total net assets without donor restrictions | 227,155 | 389,026 |
| With donor restrictions | 782,828 | 837,480 |
| Total net assets | 1,009,983 | 1,226,506 |
| Total liabilities and net assets | \$ 1,494,504 | \$ 1,761,712 |

See notes to financial statements.

National Council of Nonprofits

Statements of Activities

| | 2018 | | | 2017 | | |
|--------------------------------------|-------------------------------|----------------------------|---------------------|-------------------------------|----------------------------|---------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| Revenue and support | | | | | | |
| Contributions | \$ 243,871 | \$ 857,828 | \$ 1,101,699 | \$ 236,508 | \$ 1,265,000 | \$ 1,501,508 |
| Membership dues | 286,567 | - | 286,567 | 265,641 | - | 265,641 |
| Fees for service | 105,580 | - | 105,580 | 92,019 | - | 92,019 |
| Sponsorship | 36,550 | - | 36,550 | 41,525 | - | 41,525 |
| Contributed services | 3,000 | - | 3,000 | - | - | - |
| Other | 1,310 | - | 1,310 | 46,510 | - | 46,510 |
| Investment earnings | (2,981) | - | (2,981) | 30,898 | - | 30,898 |
| Net assets released from restriction | 912,480 | (912,480) | - | 736,758 | (736,758) | - |
| Total revenue and support | 1,586,377 | (54,652) | 1,531,725 | 1,449,859 | 528,242 | 1,978,101 |
| Expenses | | | | | | |
| Program services | | | | | | |
| Public policy/advocacy | 731,624 | - | 731,624 | 637,138 | - | 637,138 |
| Network support | 443,165 | - | 443,165 | 520,830 | - | 520,830 |
| Communications | 256,545 | - | 256,545 | 188,924 | - | 188,924 |
| Lobbying activities | 18,411 | - | 18,411 | 109,536 | - | 109,536 |
| Total program services | 1,449,745 | - | 1,449,745 | 1,456,428 | - | 1,456,428 |
| Supporting services | | | | | | |
| General and administrative | 224,179 | - | 224,179 | 167,576 | - | 167,576 |
| Fundraising | 74,324 | - | 74,324 | 86,404 | - | 86,404 |
| Total supporting services | 298,503 | - | 298,503 | 253,980 | - | 253,980 |
| Total expenses | 1,748,248 | - | 1,748,248 | 1,710,408 | - | 1,710,408 |
| Change in net assets | (161,871) | (54,652) | (216,523) | (260,549) | 528,242 | 267,693 |
| Net assets, beginning of year | 389,026 | 837,480 | 1,226,506 | 649,575 | 309,238 | 958,813 |
| Net assets, end of year | \$ 227,155 | \$ 782,828 | \$ 1,009,983 | \$ 389,026 | \$ 837,480 | \$ 1,226,506 |

See notes to financial statements.

National Council of Nonprofits

Statement of Functional Expenses Year Ended December 31, 2018

| | Program Services | | | | Total Program Services | Supporting Services | | | Total |
|-------------------------------|---------------------------|--------------------|-------------------|------------------|------------------------------|-------------------------------|------------------|---------------------------------|---------------------|
| | Public Policy/Advocacy | Network Support | Communications | Lobbying | | General and Administrative | Fundraising | Total Supporting Services | |
| Expenses | | | | | | | | | |
| Salaries and benefits | \$ 553,560 | \$ 286,039 | \$ 173,088 | \$ 13,915 | \$ 1,026,602 | \$ 126,161 | \$ 56,688 | \$ 182,849 | \$ 1,209,451 |
| Occupancy | 97,594 | 50,227 | 30,752 | 2,454 | 181,027 | 22,448 | 10,174 | 32,622 | 213,649 |
| Professional fees | 881 | 7,000 | 23,700 | 1,057 | 32,638 | 53,613 | 175 | 53,788 | 86,426 |
| Conventions and meetings | 192 | 70,222 | - | - | 70,414 | 6,045 | - | 6,045 | 76,459 |
| Depreciation and amortization | 20,728 | 10,473 | 6,510 | 523 | 38,234 | 5,006 | 2,165 | 7,171 | 45,405 |
| Books and publications | 26,967 | - | 4,804 | - | 31,771 | 467 | 42 | 509 | 32,280 |
| Outside computer service | 10,555 | 4,175 | 11,787 | 174 | 26,691 | 1,597 | 787 | 2,384 | 29,075 |
| Telephone | 8,283 | 4,176 | 2,620 | 188 | 15,267 | 1,587 | 1,288 | 2,875 | 18,142 |
| Travel | 5,799 | 6,350 | 1,150 | - | 13,299 | 541 | 2,254 | 2,795 | 16,094 |
| Staff development | 1,320 | 2,426 | 125 | - | 3,871 | 1,244 | 319 | 1,563 | 5,434 |
| Insurance | 2,126 | 1,088 | 669 | 53 | 3,936 | 519 | 221 | 740 | 4,676 |
| Equipment rental/maintenance | 1,580 | 892 | 504 | 47 | 3,023 | 376 | 166 | 542 | 3,565 |
| Membership dues | 2,000 | - | 815 | - | 2,815 | - | - | - | 2,815 |
| Other expenses | - | - | - | - | - | 2,763 | - | 2,763 | 2,763 |
| Supplies | 39 | 22 | 21 | - | 82 | 910 | 3 | 913 | 995 |
| Printing and duplicating | - | - | - | - | - | 636 | - | 636 | 636 |
| Postage and shipping | - | 75 | - | - | 75 | 266 | 42 | 308 | 383 |
| Total Expenses | \$ 731,624 | \$ 443,165 | \$ 256,545 | \$ 18,411 | \$ 1,449,745 | \$ 224,179 | \$ 74,324 | \$ 298,503 | \$ 1,748,248 |

See notes to financial statements.

National Council of Nonprofits

Statement of Functional Expenses Year Ended December 31, 2017

| | Program Services | | | | Total Program Services | Supporting Services | | | Total |
|-------------------------------|---------------------------|--------------------|-------------------|-------------------|------------------------------|-------------------------------|------------------|---------------------------------|---------------------|
| | Public Policy/Advocacy | Network Support | Communications | Lobbying | | General and Administrative | Fundraising | Total Supporting Services | |
| Expenses | | | | | | | | | |
| Salaries and benefits | \$ 501,027 | \$ 339,360 | \$ 110,532 | \$ 71,705 | \$ 1,022,624 | \$ 92,971 | \$ 61,124 | \$ 154,095 | \$ 1,176,719 |
| Occupancy | 74,963 | 67,905 | 21,734 | 14,188 | 178,790 | 16,546 | 12,844 | 29,390 | 208,180 |
| Professional fees | 2,290 | - | 29,205 | 12,275 | 43,770 | 43,753 | 100 | 43,853 | 87,623 |
| Conventions and meetings | 224 | 72,036 | - | - | 72,260 | 2,948 | - | 2,948 | 75,208 |
| Depreciation and amortization | 15,089 | 14,995 | 4,676 | 2,999 | 37,759 | 3,313 | 2,615 | 5,928 | 43,687 |
| Outside computer service | 8,003 | 5,157 | 11,581 | 1,251 | 25,992 | 1,285 | 1,031 | 2,316 | 28,308 |
| Telephone | 13,147 | 8,489 | 2,114 | 1,378 | 25,128 | 1,503 | 1,612 | 3,115 | 28,243 |
| Travel | 10,046 | 8,421 | 57 | 44 | 18,568 | 50 | 3,902 | 3,952 | 22,520 |
| Books and publications | 6,120 | 343 | 7,400 | 3 | 13,866 | 277 | 1,414 | 1,691 | 15,557 |
| Equipment rental/maintenance | 1,875 | 1,738 | 564 | 339 | 4,516 | 2,370 | 290 | 2,660 | 7,176 |
| Advertising and marketing | - | - | - | 5,000 | 5,000 | - | - | - | 5,000 |
| Insurance | 1,709 | 1,572 | 501 | 327 | 4,109 | 353 | 295 | 648 | 4,757 |
| Supplies | 159 | 669 | 53 | 27 | 908 | 821 | 210 | 1,031 | 1,939 |
| Postage and shipping | 588 | 86 | 7 | - | 681 | 79 | 967 | 1,046 | 1,727 |
| Staff development | 1,040 | 59 | - | - | 1,099 | 519 | - | 519 | 1,618 |
| Printing and duplicating | 299 | - | - | - | 299 | 648 | - | 648 | 947 |
| Membership dues | 559 | - | - | - | 559 | 140 | - | 140 | 699 |
| Bad debt | - | - | 500 | - | 500 | - | - | - | 500 |
| Total Expenses | \$ 637,138 | \$ 520,830 | \$ 188,924 | \$ 109,536 | \$ 1,456,428 | \$ 167,576 | \$ 86,404 | \$ 253,980 | \$ 1,710,408 |

See notes to financial statements.

National Council of Nonprofits

Statements of Cash Flows

| Year Ended December 31, | 2018 | 2017 |
|---|-------------------|-------------------|
| Cash flows from operating activities | | |
| Change in net assets | \$ (216,523) | \$ 267,693 |
| Adjustments to reconcile change in net assets to net cash used in operating activities: | | |
| Depreciation and amortization | 45,405 | 43,687 |
| Net loss (gain) on investments | 9,022 | (33,680) |
| Changes in assets and liabilities: | | |
| Accounts receivable | 1,624 | (6,975) |
| Contributions receivable | (107,828) | (375,000) |
| Prepaid expenses | (2,592) | (855) |
| Accounts payable and accrued expenses | (28,073) | (12,434) |
| Deferred revenue | 8,997 | (13,525) |
| Deferred rent and lease incentive | (31,609) | (25,949) |
| Total adjustments | (105,054) | (424,731) |
| Net cash used in operating activities | (321,577) | (157,038) |
| Cash flows from investing activities | | |
| Purchases of property and equipment | (6,698) | (5,137) |
| Proceeds from sale of investments | 565,608 | 425,416 |
| Purchases of investments | (216,476) | (422,161) |
| Net cash provided by (used in) investing activities | 342,434 | (1,882) |
| Net increase (decrease) in cash and cash equivalents | 20,857 | (158,920) |
| Cash and cash equivalents, beginning of year | 279,503 | 438,423 |
| Cash and cash equivalents, end of year | \$ 300,360 | \$ 279,503 |

See notes to financial statements.

National Council of Nonprofits

Notes to Financial Statements

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.

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

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.

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, 2018 and 2017, 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.

National Council of Nonprofits

Notes to Financial Statements

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Contributions: 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,:

| | 2018 | 2017 |
|---|--------------------------|--------------------------|
| Amounts due in less than one year | \$ 390,000 | \$ 175,000 |
| Amounts due in one to five years | 150,000 | 250,000 |
| | <u>540,000</u> | <u>425,000</u> |
| Less discount to net present value at 2.48% | <u>(7,172)</u> | <u>-</u> |
| | <u>\$ 532,828</u> | <u>\$ 425,000</u> |

As of December 31, 2018 and 2017, 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, 2018 and 2017.

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, 2018 and 2017, the accounts receivable balance is deemed fully collectible and management has not recorded an allowance for bad debt.

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

National Council of Nonprofits

Notes to Financial Statements

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 amounts reflected in the accompanying financial statements as contributed services are offset by like amounts included in expenses. For the years ended December 31, 2018 and 2017, contributed services amounted to \$3,000 and \$0, 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. 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. 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 Internal Revenue Code. The Council has filed the 501(h) election, as provided by 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. The Council's newsletter advertising is considered to be unrelated business income. In addition, beginning January 1, 2018, certain transportation fringe benefits provided by the Council to employees are also considered to be a component of unrelated business income. Income tax expense for the years ended December 31, 2018 and 2017 was \$2,511 and \$0, respectively.

New accounting standard: The Financial Accounting Standards Board (FASB) issued *Accounting Standards Update 2016-14, Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). The Council adopted the provisions of ASU 2016-14 during the year ended December 31, 2018. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and the availability of resources. There was no change in the Council's previously reported change in net assets as a result of the adoption of the ASU.

National Council of Nonprofits

Notes to Financial Statements

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Reclassification: Certain amounts related to the prior year have been reclassified to conform to the current year presentation with no effect on the previously reported change in net assets. With the adoption of ASU 2016-14, approximately \$3,254 of investment fees was reclassified from general and administrative expense to investment earnings on the statement of activities. Additionally, approximately \$13,576 of bookkeeping fees was reclassified to general and administrative expense from various functional areas on the prior year statement of activities and statement of functional expenses.

Subsequent events: Material subsequent events have been considered for disclosure and recognition in these financial statements through July 25, 2019, 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,:

| 2018 | Total | Level 1 | Level 2 | Level 3 |
|--|-------------------|-------------------|----------------|----------------|
| Mutual funds - fixed income | \$ 180,230 | \$ 180,230 | \$ - | \$ - |
| Mutual funds - equities | 81,423 | 81,423 | - | - |
| Mutual funds - alternatives | 61,255 | 61,255 | - | - |
| Exchange-traded funds | 14,972 | 14,972 | - | - |
| Investments carried at fair value | 337,880 | \$ 337,880 | \$ - | \$ - |
| Money market funds* | 4,233 | | | |
| Total investments | \$ 342,113 | | | |

| 2017 | Total | Level 1 | Level 2 | Level 3 |
|--|-------------------|-------------------|----------------|----------------|
| Mutual funds - fixed income | \$ 204,938 | \$ 204,938 | \$ - | \$ - |
| Mutual funds - equities | 94,940 | 94,940 | - | - |
| Mutual funds - alternatives | 25,105 | 25,105 | - | - |
| Exchange-traded funds | 18,100 | 18,100 | - | - |
| Investments carried at fair value | 343,083 | \$ 343,083 | \$ - | \$ - |
| Certificates of deposit* | 250,495 | | | |
| Money market funds* | 106,689 | | | |
| Total investments | \$ 700,267 | | | |

* 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,:

| | 2018 | 2017 |
|-------------------|-------------------|------------------|
| Net gain (loss) | \$ (9,022) | \$ 33,680 |
| Investment income | 9,667 | 472 |
| Investment fees | (3,626) | (3,254) |
| | \$ (2,981) | \$ 30,898 |

National Council of Nonprofits

Notes to Financial Statements

D. 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, 2018:

| | | |
|--|----|-----------------------|
| Cash and cash equivalents | \$ | 300,360 |
| Investments | | 342,113 |
| Accounts receivable | | 7,551 |
| Contributions receivable | | <u>532,828</u> |
| Subtotal financial assets | | 1,182,852 |
| Amounts not available within one year | | |
| Less: Pledges due in one to five years, net | | (142,828) |
| Less: Net assets designated for specific purposes | | <u>(443,757)</u> |
| Financial assets available to meet cash needs for general expenditures within one year | \$ | <u>596,267</u> |

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.

E. 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.

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

| | 2018 | 2017 |
|--|--------------------------|--------------------------|
| Furniture and equipment | \$ 128,754 | \$ 122,056 |
| Leasehold improvements | 284,981 | 284,981 |
| Capitalized website costs | <u>31,838</u> | <u>31,838</u> |
| | 445,573 | 438,875 |
| Less accumulated depreciation and amortization | <u>(216,317)</u> | <u>(170,912)</u> |
| Property and equipment, net | <u>\$ 229,256</u> | <u>\$ 267,963</u> |

National Council of Nonprofits

Notes to Financial Statements

F. NET ASSETS

Net assets with donor restrictions and related activity consist of the following in 2018:

| | January 1, 2018 | Support and Revenue | Net Assets Released From Restrictions | December 31, 2018 |
|--------------------|--------------------|------------------------|--|----------------------|
| Time restricted | \$ 725,000 | \$ 857,828 | \$ (800,000) | \$ 782,828 |
| Purpose restricted | 112,480 | - | (112,480) | - |
| | \$ 837,480 | \$ 857,828 | \$ (912,480) | \$ 782,828 |

Net assets with donor restrictions and related activity consist of the following in 2017:

| | January 1, 2017 | Support and Revenue | Net Assets Released From Restrictions | December 31, 2017 |
|--------------------|--------------------|------------------------|--|----------------------|
| Time restricted | \$ 297,500 | \$ 1,015,000 | \$ (587,500) | \$ 725,000 |
| Purpose restricted | 11,738 | 250,000 | (149,258) | \$ 112,480 |
| | \$ 309,238 | \$ 1,265,000 | \$ (736,758) | \$ 837,480 |

G. 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 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, 2018 and 2017 was \$213,649 and \$208,180, respectively.

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Notes to Financial Statements

G. COMMITMENTS AND CONTINGENCIES - CONTINUED

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

Year Ending December 31,

| | |
|------------|----------------------------|
| 2019 | \$ 237,972 |
| 2020 | 243,912 |
| 2021 | 250,020 |
| 2022 | 256,284 |
| 2023 | 262,686 |
| Thereafter | <u>638,336</u> |
| | <u>\$ 1,889,210</u> |

H. 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, 2018 and 2017, the Council contributed \$46,794 and \$43,490 to the Plan, respectively.

I. Professional Employer Organization Arrangement

Effective January 2018, the Council entered into an agreement with JustWorks Employment Group LLC, a professional employer organization (PEO), to provide personnel, benefit, and administrative services for the staff of the Council. Thus, with the implementation of the JustWorks co-employment arrangement, all significant personnel and benefit costs are administered by JustWorks.