

National Council of Nonprofits

Financial Report
December 31, 2019

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RSM US LLP

Independent Auditor's Report

Board of Directors
National Council of Nonprofits

We have audited the accompanying financial statements of the National Council of Nonprofits (the Council), which comprise the statement of financial position as of December 31, 2019, the related statements of activities, functional expenses and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The financial statements of the National Council of Nonprofits, as of and for the year ended December 31, 2018, were audited by other auditors whose report, dated July 25, 2019, expressed an unmodified opinion on those financial statements.

RSM US LLP

Washington, D.C.
November 2, 2020

National Council of Nonprofits

Statements of Financial Position December 31, 2019 and 2018

	2019	2018
Assets		
Cash and cash equivalents	\$ 788,724	\$ 300,360
Investments	383,588	342,113
Accounts receivable	8,300	7,551
Contributions receivable	333,611	532,828
Prepaid expenses	24,005	27,829
Security deposit asset	54,567	54,567
Property and equipment, net	184,411	229,256
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Total assets	\$ 1,777,206	\$ 1,494,504
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Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 74,317	\$ 56,741
Deferred revenue	4,875	9,372
Deferred rent and lease incentive	380,999	418,408
Total liabilities	460,191	484,521
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Commitments and contingencies (Note 6)		
Net assets (deficit):		
Without donor restrictions – undesignated	243,478	(216,602)
Without donor restrictions – designated	443,757	443,757
Total net assets without donor restrictions	687,235	227,155
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With donor restrictions	629,780	782,828
Total net assets	1,317,015	1,009,983
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Total liabilities and net assets	\$ 1,777,206	\$ 1,494,504
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See notes to financial statements.

National Council of Nonprofits

Statements of Activities Years Ended December 31, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:						
Contributions	\$ 33,260	\$ 1,340,783	\$ 1,374,043	\$ 243,871	\$ 857,828	\$ 1,101,699
Membership dues	301,000	-	301,000	286,567	-	286,567
Sponsorship	125,400	-	125,400	36,550	-	36,550
Fees for service	111,281	-	111,281	105,580	-	105,580
Investment earnings	42,289	-	42,289	(2,981)	-	(2,981)
Contributed services	39,870	-	39,870	3,000	-	3,000
Other	3,211	-	3,211	1,310	-	1,310
Net assets released from restriction	1,493,831	(1,493,831)	-	912,480	(912,480)	-
Total revenue and support	2,150,142	(153,048)	1,997,094	1,586,377	(54,652)	1,531,725
Expenses:						
Program services:						
Public policy advocacy	611,450	-	611,450	731,624	-	731,624
Network support	331,990	-	331,990	443,165	-	443,165
Communications	296,482	-	296,482	256,545	-	256,545
Lobbying activities	65,889	-	65,889	18,411	-	18,411
Total program services	1,305,811	-	1,305,811	1,449,745	-	1,449,745
Supporting services:						
General and administrative	205,312	-	205,312	224,179	-	224,179
Fundraising	178,939	-	178,939	74,324	-	74,324
Total supporting services	384,251	-	384,251	298,503	-	298,503
Total expenses	1,690,062	-	1,690,062	1,748,248	-	1,748,248
Change in net assets	460,080	(153,048)	307,032	(161,871)	(54,652)	(216,523)
Net assets:						
Beginning	227,155	782,828	1,009,983	389,026	837,480	1,226,506
Ending	\$ 687,235	\$ 629,780	\$ 1,317,015	\$ 227,155	\$ 782,828	\$ 1,009,983

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

See notes to financial statements.

National Council of Nonprofits

Statement of Functional Expenses Year Ended December 31, 2018

	Program Services				Supporting Services				Total
	Public Policy and Advocacy	Network Support	Communications	Lobbying	Total Program Services	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 and 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

Statements of Cash Flows

Years Ended December 31, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ 307,032	\$ (216,523)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	44,845	45,405
Net (gain) loss on investments	(45,061)	9,022
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(749)	1,624
Contributions receivable	199,217	(107,828)
Prepaid expenses	3,824	(2,592)
Increase (decrease) in:		
Accounts payable and accrued expenses	17,576	(28,073)
Deferred revenue	(4,497)	8,997
Deferred rent and lease incentive	(37,409)	(31,609)
Net cash provided by (used in) operating activities	484,778	(321,577)
Cash flows from investing activities:		
Purchases of property and equipment	-	(6,698)
Proceeds from sale of investments	5,865	565,608
Purchases of investments	(2,279)	(216,476)
Net cash provided by investing activities	3,586	342,434
Net increase in cash and cash equivalents	488,364	20,857
Cash and cash equivalents:		
Beginning	300,360	279,503
Ending	\$ 788,724	\$ 300,360

See notes to financial statements.

National Council of Nonprofits

Notes to Financial Statements

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

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 topics of the FASB ASC, the Council is required to report information regarding its financial position and activities according to the following two 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 conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, 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. In addition, during the year ended December 1, 2018, certain transportation fringe benefits provided by the Council to employees were considered to be a component of unrelated business income, however, this provision has been repealed. Income tax expense for the year ended December 31, 2018, was \$2,511.

National Council of Nonprofits

Notes to Financial Statements

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

Adoption of recent accounting pronouncements: In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP. The updated standard also requires expanded disclosures relating to the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers. The Council adopted the new standard as of January 1, 2019, using the modified retrospective method. Based on the Council's review of its contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under this new standard. The adoption had no impact on the statements of financial position and the statements of activities, but resulted in additional disclosures.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. Where the Council is the resource recipient, the ASU was adopted as of January 1, 2019. Based on the Council's review of its contributions received, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under this new standard. The adoption had no impact on the statements of financial position and the statements of activities.

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, 2019 and 2018, cash and cash equivalents were comprised of bank deposits 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 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.

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. 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.

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, 2019 and 2018, the accounts receivable balance is deemed fully collectible and management has not recorded an allowance for bad debt.

National Council of Nonprofits

Notes to Financial Statements

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

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 and tenant improvement allowance: 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.

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.

National Council of Nonprofits

Notes to Financial Statements

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

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, 2019 and 2018:

	2019	2018
Amounts due in less than one year	\$ 290,000	\$ 390,000
Amounts due in one to five years	45,000	150,000
	335,000	540,000
Less discount to net present value at 1.58% and 2.48%, respectively	(1,389)	(7,172)
	<u>\$ 333,611</u>	<u>\$ 532,828</u>

As of December 31, 2019 and 2018, 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, 2019 and 2018.

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 amounts reflected in the accompanying financial statements as contributed services are offset by like amounts included in expenses. For the years ended December 31, 2019 and 2018, contributed services amounted to \$39,870 and \$3,000, 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.

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.

National Council of Nonprofits

Notes to Financial Statements

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

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.

Subsequent events: Material subsequent events have been considered for disclosure and recognition in these financial statements through November 2, 2020, the date the financial statements were available to be issued.

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a Public Health Emergency of International Concern and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Council operates. Management is continually monitoring the potential impact of the pandemic on the Council, and will review and adjust planned expenditures should it be determined the outbreak will significantly impact the financial position and activities of the Council.

After considering the eligibility requirements, the Council concluded that it was eligible for a Paycheck Protection Program (PPP) loan under the Paycheck Protection Program of the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act). As a result, the Council applied, and was approved, for a PPP loan and received \$131,105 on May 1, 2020. The Council believes most, if not all, of the PPP loan will meet the criteria for forgiveness.

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.

National Council of Nonprofits

Notes to Financial Statements

Note 2. Investments (Continued)

Investments are reported at fair value and consist of the following at December 31, 2019 and 2018:

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	\$ -	\$ -
Money market funds*	5,049			
Total investments	<u>\$ 383,588</u>			
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	<u>\$ 342,113</u>			

*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, 2019 and 2018:

	2019	2018
Net gain (loss)	\$ 45,061	\$ (9,022)
Investment income	818	9,667
Investment fees	(3,590)	(3,626)
	<u>\$ 42,289</u>	<u>\$ (2,981)</u>

National Council of Nonprofits

Notes to Financial Statements

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, 2019 and 2018:

	2019	2018
Cash and cash equivalents	\$ 788,724	\$ 300,360
Investments	383,588	342,113
Accounts receivable	8,300	7,551
Contributions receivable	333,611	532,828
Subtotal financial assets	<u>1,514,223</u>	<u>1,182,852</u>
Amounts not available within one year:		
Less pledges due in one to five years, net	(43,611)	(142,828)
Less net assets designated for specific purposes	<u>(443,757)</u>	<u>(443,757)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,026,855</u>	<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.

Note 4. Property and Equipment

Property and equipment consists of the following at December 31, 2019 and 2018:

	2019	2018
Furniture and equipment	\$ 128,754	\$ 128,754
Leasehold improvements	284,981	284,981
Capitalized website costs	31,838	31,838
	<u>445,573</u>	<u>445,573</u>
Less accumulated depreciation and amortization	(261,162)	(216,317)
Property and equipment, net	<u>\$ 184,411</u>	<u>\$ 229,256</u>

Depreciation expense and amortization for the years ended December 31, 2019 and 2018, amounted to \$44,845 and \$45,405.

National Council of Nonprofits

Notes to Financial Statements

Note 5. Net Assets

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

	January 1, 2019	Support and Revenue	Net Assets Released From 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>

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)	-
	<u>\$ 837,480</u>	<u>\$ 857,828</u>	<u>\$ (912,480)</u>	<u>\$ 782,828</u>

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, 2019 and 2018, was \$ 215,563 and \$213,649, respectively.

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

Years ending December 31:	
2020	\$ 243,912
2021	250,020
2022	256,284
2023	262,686
2024	269,238
Thereafter	369,098
	<u>\$ 1,651,238</u>

National Council of Nonprofits

Notes to Financial Statements

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, 2019 and 2018, the Council contributed \$39,242 and \$46,794 to the Plan, respectively.