

**NATIONAL COUNCIL OF NONPROFITS**  
**AUDITED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2022 AND 2021**

# National Council of Nonprofits

## Table of Contents

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	<b>Page</b>
<b>Independent Auditor's Report</b>	1 - 2
<b>Audited Financial Statements</b>	
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4
Statements of Functional Expenses	5 - 6
Statements of Cash Flows	7
Notes to Financial Statements	8 – 21

## **Independent Auditor's Report**

To the Board of Directors  
**National Council of Nonprofits**

### ***Opinion***

We have audited the accompanying financial statements of **National Council of Nonprofits** (a nonprofit organization), which comprise the Statements of Financial Position as of December 31, 2022 and 2021, and the related Statements of Activities and Changes in Net Assets, Functional Expenses, and Cash Flows for the year then ended, and the related notes to the financial statements.

In our opinion, the 2022 financial statements referred to above present fairly, in all material respects, the financial position of **National Council of Nonprofits** as of December 31, 2022, 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.

### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of **National Council of Nonprofits** and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Prior Period Financial Statements***

The financial statements of **National Council of Nonprofits** as of and for the year ended December 31, 2021, were audited by Aronson LLC, who merged with Aprio, LLP as of January 1, 2023, and whose report dated June 14, 2022 expressed an unmodified opinion on those financial statements.

### ***Emphasis of Matter***

As discussed in Note 1 to the financial statements, **National Council of Nonprofits** changed its method of accounting for leases due to the adoption of Topic 842 as of January 1, 2022. Our opinion is not modified with respect to this matter.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

## **Independent Auditor's Report (continued)**

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about **National Council of Nonprofits'** ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

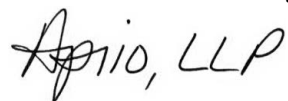
### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 **National Council of Nonprofits'** internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about **National Council of Nonprofits'** ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



Rockville, Maryland  
June 28, 2023

# National Council of Nonprofits

## Statements of Financial Position

<i>December 31,</i>	<b>2022</b>	<b>2021</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 2,932,211	\$ 1,536,716
Investments	2,242,281	2,499,242
Accounts receivable	9,521	6,850
Contributions receivable	2,603,780	2,277,414
Prepaid expenses	26,042	38,026
Security deposit asset	54,567	54,567
Property and equipment, net	354,499	121,547
Right-of-use asset - operating lease	544,134	-
<b>Total assets</b>	<b>\$ 8,767,035</b>	<b>\$ 6,534,362</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 131,102	\$ 96,004
Deferred revenue	28,860	36,094
Deferred rent	-	288,195
Lease liability - operating lease	820,403	-
<b>Total liabilities</b>	<b>980,365</b>	<b>420,293</b>
<b>Net assets</b>		
Without donor restrictions - undesignated	4,065,390	2,699,405
Without donor restrictions - designated	1,100,000	1,000,000
<b>Total net assets without donor restrictions</b>	<b>5,165,390</b>	<b>3,699,405</b>
With donor restrictions	2,621,280	2,414,664
<b>Total net assets</b>	<b>7,786,670</b>	<b>6,114,069</b>
<b>Total liabilities and net assets</b>	<b>\$ 8,767,035</b>	<b>\$ 6,534,362</b>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

## National Council of Nonprofits

### Statements of Activities and Changes in Net Assets

<i>Year ended December 31,</i>	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue and support</b>						
Membership dues	\$ 310,058	\$ -	\$ 310,058	\$ 288,817	\$ -	\$ 288,817
Fees for service	205,947	-	205,947	168,230	-	168,230
Sponsorship	40,600	-	40,600	36,900	-	36,900
Contributions	209,176	3,328,616	3,537,792	2,153,540	3,282,813	5,436,353
Contributed services	26,000	-	26,000	66,400	-	66,400
Investment earnings (losses)	(256,167)	-	(256,167)	11,990	-	11,990
Other	226	-	226	1,319	-	1,319
Net assets released from restrictions	3,122,000	(3,122,000)	-	1,712,920	(1,712,920)	-
<b>Total revenue</b>	<b>3,657,840</b>	<b>206,616</b>	<b>3,864,456</b>	<b>4,440,116</b>	<b>1,569,893</b>	<b>6,010,009</b>
<b>Expenses</b>						
<b>Program services</b>						
Public policy advocacy	667,346	-	667,346	600,232	-	600,232
Communications	342,176	-	342,176	541,371	-	541,371
Network support	487,316	-	487,316	283,773	-	283,773
Lobbying activities	47,692	-	47,692	62,027	-	62,027
<b>Total program services</b>	<b>1,544,530</b>	<b>-</b>	<b>1,544,530</b>	<b>1,487,403</b>	<b>-</b>	<b>1,487,403</b>
<b>Supporting services</b>						
Fundraising	190,390	-	190,390	180,794	-	180,794
General and administrative	456,935	-	456,935	466,614	-	466,614
<b>Total supporting services</b>	<b>647,325</b>	<b>-</b>	<b>647,325</b>	<b>647,408</b>	<b>-</b>	<b>647,408</b>
<b>Total expenses</b>	<b>2,191,855</b>	<b>-</b>	<b>2,191,855</b>	<b>2,134,811</b>	<b>-</b>	<b>2,134,811</b>
<b>Change in net assets</b>	<b>1,465,985</b>	<b>206,616</b>	<b>1,672,601</b>	<b>2,305,305</b>	<b>1,569,893</b>	<b>3,875,198</b>
<b>Net assets, beginning of year</b>	<b>3,699,405</b>	<b>2,414,664</b>	<b>6,114,069</b>	<b>1,394,100</b>	<b>844,771</b>	<b>2,238,871</b>
<b>Net assets, end of year</b>	<b>\$ 5,165,390</b>	<b>\$ 2,621,280</b>	<b>\$ 7,786,670</b>	<b>\$ 3,699,405</b>	<b>\$ 2,414,664</b>	<b>\$ 6,114,069</b>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

National Council of Nonprofits

Statements of Functional Expenses

Year ended December 31, 2022

	Program Services					Supporting Services			Total Expenses
	Public Policy Advocacy	Communications	Network Support	Lobbying Activities	Total Program Services	Fundraising	General and Administrative	Total Supporting Services	
Salaries and benefits	\$ 478,807	\$ 239,299	\$ 308,152	\$ 38,310	\$ 1,064,568	\$ 151,077	\$ 262,509	\$ 413,586	\$ 1,478,154
Professional fees	56,182	14,214	5,975	632	77,003	4,090	104,117	108,207	185,210
Occupancy	78,539	39,017	50,702	6,230	174,488	23,604	39,457	63,061	237,549
Telephone	4,463	2,180	16,426	377	23,446	1,350	2,554	3,904	27,350
Books and publications	30,135	19,632	524	-	50,291	1,986	3,916	5,902	56,193
Depreciation and amortization	12,621	6,224	8,031	1,066	27,942	3,767	6,994	10,761	38,703
Travel	36	-	4,553	31	4,620	2,503	4,845	7,348	11,968
Conventions and meetings	-	-	87,905	573	88,478	-	17,876	17,876	106,354
Outside computer service	3,659	17,916	1,833	239	23,647	1,121	1,444	2,565	26,212
Insurance	1,903	1,008	1,156	161	4,228	644	1,050	1,694	5,922
Equipment rental and maintenance	811	402	971	73	2,257	238	264	502	2,759
Membership dues	-	-	-	-	-	-	1,470	1,470	1,470
Staff development	190	2,168	964	-	3,322	-	3,144	3,144	6,466
Supplies	-	116	72	-	188	-	1,018	1,018	1,206
Printing and duplicating	-	-	43	-	43	-	2,001	2,001	2,044
Other expenses	-	-	-	-	-	-	4,123	4,123	4,123
Postage and shipping	-	-	9	-	9	10	153	163	172
<b>Total</b>	<b>\$ 667,346</b>	<b>\$ 342,176</b>	<b>\$ 487,316</b>	<b>\$ 47,692</b>	<b>\$ 1,544,530</b>	<b>\$ 190,390</b>	<b>\$ 456,935</b>	<b>\$ 647,325</b>	<b>\$ 2,191,855</b>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

**National Council of Nonprofits**

**Statements of Functional Expenses (continued)**

*Year ended December 31, 2021*

	Program Services					Supporting Services			Total Expenses
	Public Policy Advocacy	Communications	Network Support	Lobbying Activities	Total Program Services	Fundraising	General and Administrative	Total Supporting Services	
Salaries and benefits	\$ 408,758	\$ 214,553	\$ 197,758	\$ 48,591	\$ 869,660	\$ 144,326	\$ 221,097	\$ 365,423	\$ 1,235,083
Professional fees	52,189	243,898	8,022	714	304,823	3,097	118,020	121,117	425,940
Occupancy	72,599	37,433	34,968	9,548	154,548	23,510	28,111	51,621	206,169
Telephone	5,200	3,197	3,667	622	12,686	1,610	68,609	70,219	82,905
Books and publications	37,544	10,941	20	-	48,505	1,589	2,325	3,914	52,419
Depreciation and amortization	12,495	6,448	6,121	1,592	26,656	4,162	5,817	9,979	36,635
Travel	-	-	-	-	-	-	57	57	57
Conventions and meetings	-	-	28,296	-	28,296	-	1,435	1,435	29,731
Outside computer service	4,513	21,110	2,039	647	28,309	1,288	3,504	4,792	33,101
Insurance	1,380	699	662	201	2,942	580	780	1,360	4,302
Equipment rental and maintenance	860	439	401	102	1,802	295	441	736	2,538
Membership dues	-	-	1,470	-	1,470	-	329	329	1,799
Staff development	755	250	-	-	1,005	-	4,074	4,074	5,079
Supplies	885	520	345	-	1,750	323	1,159	1,482	3,232
Printing and duplicating	3,054	1,880	-	-	4,934	-	46	46	4,980
Other expenses	-	-	-	-	-	-	10,630	10,630	10,630
Postage and shipping	-	3	4	10	17	14	180	194	211
<b>Total</b>	<b>\$ 600,232</b>	<b>\$ 541,371</b>	<b>\$ 283,773</b>	<b>\$ 62,027</b>	<b>\$ 1,487,403</b>	<b>\$ 180,794</b>	<b>\$ 466,614</b>	<b>\$ 647,408</b>	<b>\$ 2,134,811</b>

The accompanying Notes to Financial Statements are an integral part of these financial statements.



## National Council of Nonprofits

### Statements of Cash Flows

<i>Year ended December 31,</i>	<b>2022</b>	2021
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 1,672,601	\$ 3,875,198
<b>Adjustments to reconcile change in net assets to net cash provided by operating activities</b>		
Depreciation and amortization	38,703	36,635
Net realized and unrealized loss (gain) on investments	311,131	(18,845)
Deferred rent	-	(49,454)
Forgiveness of PPP loan	-	(131,105)
<b>(Increase) decrease in:</b>		
Accounts receivable	(2,671)	14,108
Contributions receivable	(326,366)	(1,730,063)
Prepaid expenses	11,984	(12,238)
Right-of-use asset - operating	207,529	-
<b>Increase (decrease) in:</b>		
Accounts payable and accrued expenses	35,098	27,171
Deferred revenue	(7,234)	27,844
Lease liability - operating	(219,455)	-
<b>Net cash provided by operating activities</b>	<b>1,721,320</b>	<b>2,039,251</b>
<b>Cash flows from investing activities</b>		
Purchases of property and equipment	(271,655)	(8,462)
Proceeds from sale of investments	232,886	124,220
Purchases of investments	(287,056)	(1,945,865)
<b>Net cash used by investing activities</b>	<b>(325,825)</b>	<b>(1,830,107)</b>
<b>Net change in cash and cash equivalents</b>	<b>1,395,495</b>	<b>209,144</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>1,536,716</b>	<b>1,327,572</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 2,932,211</b>	<b>\$ 1,536,716</b>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

# National Council of Nonprofits

## Notes to Financial Statements

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### 1. Organization and 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 financial statements have been prepared on the accrual basis of accounting, which is in accordance with accounting principles generally accepted in the United States of America.

**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, 2022 and 2021, cash and cash equivalents were comprised of bank deposits and money market funds.

The Council maintains cash balances at one commercial bank, and this balance can exceed the Federal Deposit Insurance Corporation (FDIC) insured deposit limit of \$250,000 per financial institution. At December 31, 2022 and 2021, the Organization's cash balances held at the commercial bank exceeded the insured limits by approximately \$2,683,000 and \$1,290,000, respectively. The Organization has not experienced any losses through the date when the financial statements were available to be issued.

**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.

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.

# National Council of Nonprofits

## Notes to Financial Statements

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**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, 2022 and 2021, 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.

# National Council of Nonprofits

## Notes to Financial Statements

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**Leases:** Operating and finance lease right-of-use assets (ROU) and lease liabilities are recognized at the lease commencement date based on the present value of the lease payments over the lease term. ROU assets also include adjustments related to lease payments made and lease incentives received at or before the commencement date. The ROU assets resulting from operating and financing leases are disclosed separately as right-of-use asset – operating/finance lease and the related liabilities are included in lease liability – operating/finance leases in the Statements of Financial Position. At lease commencement, lease liabilities are recognized based on the present value of the remaining lease payments and discounted using the risk-free rate. Operating lease cost is recognized on a straight-line basis over the lease term as occupancy in the accompanying Statements of Functional Expenses. Lease and non-lease components of office lease agreements are accounted as a single component. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Council will exercise that option. The Council determines if an arrangement is a lease at inception. All leases are recorded on the Statements of Financial Position except for leases with an initial term less than 12 months for which the Council made the short-term lease election.

**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.

# National Council of Nonprofits

## Notes to Financial Statements

**Revenue recognition:** Revenue from contracts with customers is derived primarily from membership dues. Economic factors driven by industry conditions, employment, inflation and other world events impact the timing and level of revenue recognized by the Council. Periods of economic downturn resulting from any of the above factors may result in declines in revenue recognized by the Council.

The Council determines the appropriate revenue recognition for these contracts through the following steps:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

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.

Sponsorship revenue is recognized at the point in time the related event takes place, which is when performance obligations are satisfied.

Fees for service revenue recognition 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.

Fees for service revenue recognized over time and at a point in time are summarized as follows:

Year ended December 31, 2022	Job Board Revenue	Advertising Income	Other Fees for Service Income	Total
Recognized over time	\$ 95,871	\$ -	\$ -	\$ 95,871
Recognized at a point in time	-	70,543	39,533	110,076
<b>Total</b>	<b>\$ 95,871</b>	<b>\$ 70,543</b>	<b>\$ 39,533</b>	<b>\$ 205,947</b>

# National Council of Nonprofits

## Notes to Financial Statements

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Year ended December 31, 2021	Job Board Revenue	Advertising Income	Other Fees for Service Income	Total
Recognized over time	\$ 93,396	\$ -	\$ -	\$ 93,396
Recognized at a point in time	-	40,970	33,864	74,834
Total	\$ 93,396	\$ 40,970	\$ 33,864	\$ 168,230

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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.

Contract assets and liabilities from membership dues, fees for services, and sponsorship are included in accounts receivable and deferred revenue in the accompanying Statements of Financial Position. These balances are the result of timing differences between when revenue is recognized and when the related payments is received. Opening balances as of January 1, 2021 were as follows:

Accounts receivable	\$ 20,958
Deferred revenue	8,250

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Contract costs generally include direct costs such as labor for membership advocacy, professional services, and meeting expenditures related to conventions and other events. Costs are expensed as incurred.

# National Council of Nonprofits

## Notes to Financial Statements

**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.

	<u>2022</u>	<u>2021</u>
Amounts due in less than one year	\$ 1,515,000	\$ 1,425,250
Amounts due in one to five years	1,200,000	875,000
<hr/>		
Less: discount to net present value	(111,220)	(22,836)
<b>Contributions receivable, net</b>	<b>\$ 2,603,780</b>	<b>\$ 2,277,414</b>

As of December 31, 2022 and 2021, 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, 2022 and 2021.

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.

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

**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.

Expenses that are allocated include the following:

<u>Expenses</u>	<u>Method of Allocation</u>
Salaries and benefits	Time and effort
Professional fees	Time and effort
Operating expenses	Time and effort and direct allocation

**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.

**Uncertainties in income taxes:** The Council evaluates uncertainty in income tax positions based on a more-likely-than-not recognition standard. If that threshold is met, the tax position is then measured at the largest amount that is greater than 50% likely of being realized upon ultimate settlement. If applicable, the Council records interest and penalties as a component of income tax expense. Tax years from inception to 2019 through the current year remain open for examination by tax authorities.



# National Council of Nonprofits

## Notes to Financial Statements

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**Recent accounting pronouncement adopted:** The Council adopted Accounting Standards Update 842, *Leases*, (ASC 842) effective January 1, 2022. This standard requires lessees to recognize leases on the Statement of Financial Position as right-of-use (ROU) assets and lease liabilities based on the value of the discounted future lease payments. In adopting ASC 842, the Council used the practical expedient package, which includes not reevaluating if a contract is or contains a lease, not reevaluating the classification of a lease, and not reevaluating initial direct costs.

Upon adoption, the Council recognized an operating ROU asset and a lease liability in the amounts of \$757,573 and \$1,045,768, respectively, using the modified retrospective alternative method. No cumulative-effect adjustments were required. Adoption of the new standard resulted in the recording of additional lease assets and lease liabilities on the Statements of Financial Position, with no cumulative impact to net assets, and did not have a material impact on the Council's changes in net assets or cash flows for the year ended December 31, 2022.

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 2020-08 did not have a significant impact on the Council's financial statements.

**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.

**Subsequent events:** Material subsequent events have been considered for disclosure and recognition in these financial statements through June 28, 2023, the date the financial statements were available to be issued.

## 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.

# National Council of Nonprofits

## Notes to Financial Statements

**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, 2022 and 2021:

2022	Total	Level 1	Level 2	Level 3
Mutual funds				
– fixed income	\$ 1,335,533	\$ 1,335,533	\$ -	\$ -
Mutual funds				
– equities	521,956	521,956	-	-
Mutual funds				
– alternatives	136,589	136,589	-	-
Exchange-traded funds	226,068	226,068	-	-
Investments carried at fair value	2,220,146	2,220,146	-	-
Cash*	22,135	-	-	-
<b>Total</b>	<b>\$ 2,242,281</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

2021	Total	Level 1	Level 2	Level 3
Mutual funds				
– fixed income	\$ 1,387,083	\$ 1,387,083	\$ -	\$ -
Mutual funds				
– equities	700,509	700,509	-	-
Mutual funds				
– alternatives	134,638	134,638	-	-
Exchange-traded funds	252,164	252,164	-	-
Investments carried at fair value	2,474,394	2,474,394	-	-
Cash*	24,848	-	-	-
<b>Total</b>	<b>\$ 2,499,242</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

# National Council of Nonprofits

## Notes to Financial Statements

\* 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, 2022 and 2021:

	2022	2021
Net realized and unrealized gain on investments	\$ (311,131)	\$ 18,845
Dividend and interest income	73,980	1,437
Investment fees	(19,016)	(8,292)
<b>Total investment earnings (loss)</b>	<b>\$ (256,167)</b>	<b>\$ 11,990</b>

### 3. Liquidity and availability of resources

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, 2022 and 2021:

	2022	2021
Cash and cash equivalents	\$ 2,932,211	\$ 1,536,716
Investments	2,242,281	2,499,242
Accounts receivable	9,521	6,850
Contributions receivable	2,603,780	2,277,414
Total financial assets	7,787,793	6,320,222

Amounts not available within one year:

Less contributions receivable due in one to five years, net	(1,088,780)	(852,164)
Less net assets designated for specific purposes	(1,100,000)	(1,000,000)
Financial assets available to meet cash needs for general expenditures within one year	\$ 5,599,013	\$ 4,468,058

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.

## National Council of Nonprofits

### Notes to Financial Statements

4. **Property and Equipment** Property and equipment consists of the following at December 31, 2022 and 2021:

	2022	2021
Furniture and equipment	\$ 149,364	\$ 139,189
Leasehold improvements	284,981	284,981
Capitalized website costs	293,318	31,838
Less: Accumulated depreciation and amortization	(373,164)	(334,461)
<b>Property and equipment, net</b>	<b>\$ 354,499</b>	<b>\$ 121,547</b>

Depreciation expense and amortization for the years ended December 31, 2022 and 2021, amounted to \$38,703 and \$36,635, respectively.

5. **Net Assets** Net assets with donor restrictions and related activity consist of the following in 2022:

	January 1, 2022	Support and Revenue	Net Assets Released from Restrictions	December 31, 2022
Time restricted	\$ 2,114,244	\$ 3,328,616	\$ (2,821,580)	\$ 2,621,280
Purpose restricted	300,420	-	(300,420)	-
	<b>\$ 2,414,664</b>	<b>\$ 3,328,616</b>	<b>\$ (3,122,000)</b>	<b>\$ 2,621,280</b>

Net assets with donor restrictions and related activity consist of the following in 2021:

	January 1, 2021	Support and Revenue	Net Assets Released from Restrictions	December 31, 2021
Time restricted	\$ 544,351	\$ 3,282,813	\$ (1,712,920)	\$ 2,114,244
Purpose restricted	300,420	-	-	300,420
	<b>\$ 844,771</b>	<b>\$ 3,282,813</b>	<b>\$ (1,712,920)</b>	<b>\$ 2,414,664</b>

# National Council of Nonprofits

## Notes to Financial Statements

### 6. Leases

**Leases as lessee:** 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 FASB ASC 840 (pre-adoption of the new standard, ASC 842) the difference between rent expense recognized on a straight-line basis and actual cash payments under the lease, as well as the utilized tenant improvement allowance, was reflected in deferred rent on the accompanying Statements of Financial Position.

Total rent expense for the year ended December 31, 2021 was \$206,169.

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

Years ending December 31:

2022	\$	256,284
2023		262,686
2024		269,238
2025		275,970
2026		93,128
<u>Future minimum lease payments</u>		<u>\$ 1,157,306</u>

Upon adoption of the new standard, the Council evaluated current contracts to determine which met the criteria of a lease. The right-of-use (“ROU”) assets represent the Council’s right to use underlying assets for the lease term, and the lease liabilities represent the Council’s obligation to make lease payments arising from these leases. The ROU asset and lease liability from the operating leases were calculated based on the present value of future lease payments over the lease term. The Council has made an accounting policy election to use a risk-free rate, in lieu of its incremental borrowing rate to discount future lease payments. The weighted average discount rate applied to calculate lease liabilities as of December 31, 2022 was 1.37%. The weighted average remaining lease term is 3.33 years as of December 31, 2022.

Total operating lease cost was \$221,781 for the year ended December 31, 2022. Total cash flows from the operating lease were \$233,042 for the year ended December 31, 2022.

# National Council of Nonprofits

## Notes to Financial Statements

Future maturities of lease liabilities are as follows:

Year ending December 31,

2023	\$	238,909
2024		245,444
2025		252,157
2026		106,726
Total	\$	843,236
Less: imputed interest		(22,833)
<b>Lease liability- operating</b>	<b>\$</b>	<b>820,403</b>

- 7. Commitments and contingencies** 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 elected to account for the loan as a financial liability until the time at which forgiveness was received. Under the terms of the agreement, a deferment period of seven months began on the date of the note, and monthly payments would commence if communication of loan forgiveness from the Small Business Administration (SBA) was not received. The loan bore 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, and the forgiveness was recorded with contributions on the Statement of Activities and Changes in Net Assets as of December 31, 2021.
- 8. 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, 2022 and 2021, the Council contributed \$44,156 and \$49,127 to the Plan, respectively.
- 9. Contributed Nonfinancial Assets** The Council receives in-kind contributions of time and pro bono services from members of the community and volunteers. 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. The Council recognizes in-kind contribution revenue and a corresponding expense in an amount approximating the estimated fair value at the time of the donation.

# National Council of Nonprofits

## Notes to Financial Statements

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During fiscal year 2022, the Council received legal consultation services valued at \$26,000. The Council received contributions of the use of nonfinancial assets valued at \$66,400 during fiscal year 2021.

All donated services and assets were utilized by the Council's programs and supporting services. There were no donor-imposed restrictions associated with the donated services and assets.

Donated legal services included in management and general are valued at the standard hourly rates charged for those services. Donated goods are valued at the wholesale prices that would be received for selling similar products.