

NATIONAL COUNCIL OF NONPROFITS
AUDITED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021 AND 2020

National Council of Nonprofits

Table of Contents

	Page
Independent Auditor's Report	1 - 2
Audited Financial Statements	
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 – 19



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 Statement of Financial Position as of December 31, 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 financial statements referred to above present fairly, in all material respects, the financial position of **National Council of Nonprofits** as of December 31, 2021, 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, 2020, were audited by other auditors whose report dated October 6, 2021, expressed an unmodified opinion on those statements.

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.

111 Rockville Pike
Suite 600
Rockville, Maryland 20850

☎ 301.231.6200
📠 301.231.7630
www.aronsonllc.com
info@aronsonllc.com

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.

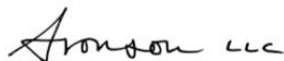
Auditor's Responsibilities for the Audit of the Financial Statements

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 14, 2022

National Council of Nonprofits

Statements of Financial Position

<i>December 31,</i>	2021	2020
Assets		
Cash and cash equivalents	\$ 1,536,716	\$ 1,327,572
Investments	2,499,242	658,752
Accounts receivable	6,850	20,958
Contributions receivable	2,277,414	547,351
Prepaid expenses	38,026	25,788
Security deposit asset	54,567	54,567
Property and equipment, net	121,547	149,720
Total assets	\$ 6,534,362	\$ 2,784,708
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 96,004	\$ 68,833
PPP loan payable	-	131,105
Deferred revenue	36,094	8,250
Deferred rent	288,195	337,649
Total liabilities	420,293	545,837
Net assets		
Without donor restrictions - undesignated	2,699,405	850,343
Without donor restrictions - designated	1,000,000	543,757
Total net assets without donor restrictions	3,699,405	1,394,100
With donor restrictions	2,414,664	844,771
Total net assets	6,114,069	2,238,871
Total liabilities and net assets	\$ 6,534,362	\$ 2,784,708

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>	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support						
Membership dues	\$ 288,817	\$ -	\$ 288,817	\$ 286,695	\$ -	\$ 286,695
Fees for service	168,230	-	168,230	105,403	-	105,403
Sponsorship	36,900	-	36,900	36,150	-	36,150
Contributions	2,153,540	3,282,813	5,436,353	307,039	1,938,740	2,245,779
Contributed services	66,400	-	66,400	96,250	-	96,250
Investment earnings	11,990	-	11,990	26,896	-	26,896
Other	1,319	-	1,319	1,039	-	1,039
Net assets released from restrictions	1,712,920	(1,712,920)	-	1,723,749	(1,723,749)	-
Total revenue	4,440,116	1,569,893	6,010,009	2,583,221	214,991	2,798,212
Expenses						
Program services						
Public policy advocacy	600,232	-	600,232	568,038	-	568,038
Communications	541,371	-	541,371	383,648	-	383,648
Network support	283,773	-	283,773	349,233	-	349,233
Lobbying activities	62,027	-	62,027	188,127	-	188,127
Total program services	1,487,403	-	1,487,403	1,489,046	-	1,489,046
Supporting services						
Fundraising	180,794	-	180,794	244,267	-	244,267
General and administrative	466,614	-	466,614	143,043	-	143,043
Total supporting services	647,408	-	647,408	387,310	-	387,310
Total expenses	2,134,811	-	2,134,811	1,876,356	-	1,876,356
Change in net assets	2,305,305	1,569,893	3,875,198	706,865	214,991	921,856
Net assets, beginning of year	1,394,100	844,771	2,238,871	687,235	629,780	1,317,015
Net assets, end of year	\$ 3,699,405	\$ 2,414,664	\$ 6,114,069	\$ 1,394,100	\$ 844,771	\$ 2,238,871

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, 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
Total	\$ 600,232	\$ 541,371	\$ 283,773	\$ 62,027	\$ 1,487,403	\$ 180,794	\$ 466,614	\$ 647,408	\$ 2,134,811

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, 2020

	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	\$ 358,030	\$ 135,836	\$ 204,549	\$ 145,724	\$ 844,139	\$ 165,500	\$ 64,906	\$ 230,406	\$ 1,074,545
Professional fees	11,426	190,346	19,040	-	220,812	28,919	54,257	83,176	303,988
Occupancy	69,855	25,221	41,057	31,521	167,654	34,856	9,691	44,547	212,201
Telephone	58,807	1,935	16,678	2,468	79,888	2,765	934	3,699	83,587
Books and publications	46,618	10,638	699	19	57,974	1,515	985	2,500	60,474
Depreciation and amortization	11,993	4,378	6,983	5,253	28,607	5,862	2,195	8,057	36,664
Travel	-	-	30,568	-	30,568	975	1,471	2,446	33,014
Conventions and meetings	-	-	25,234	-	25,234	-	3,493	3,493	28,727
Outside computer service	5,796	13,594	3,037	2,246	24,673	2,428	861	3,289	27,962
Insurance	1,738	667	835	506	3,746	686	277	963	4,709
Equipment rental and maintenance	995	344	547	386	2,272	476	180	656	2,928
Membership dues	2,559	-	-	-	2,559	280	-	280	2,839
Staff development	156	665	-	-	821	-	1,302	1,302	2,123
Supplies	51	-	-	-	51	-	1,461	1,461	1,512
Printing and duplicating	-	-	-	-	-	-	711	711	711
Other expenses	-	-	-	-	-	-	297	297	297
Postage and shipping	14	24	6	4	48	5	22	27	75
Total	\$ 568,038	\$ 383,648	\$ 349,233	\$ 188,127	\$ 1,489,046	\$ 244,267	\$ 143,043	\$ 387,310	\$ 1,876,356

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>	2021	2020
Cash flows from operating activities		
Change in net assets	\$ 3,875,198	\$ 921,856
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	36,635	36,664
Net realized and unrealized gain on investments	(18,845)	(28,956)
Deferred rent	(49,454)	(43,350)
Forgiveness of PPP loan	(131,105)	-
(Increase) decrease in:		
Accounts receivable	14,108	(12,658)
Contributions receivable	(1,730,063)	(213,740)
Prepaid expenses	(12,238)	(1,783)
Increase (decrease) in:		
Accounts payable and accrued expenses	27,171	(5,484)
Deferred revenue	27,844	3,375
Net cash provided by operating activities	2,039,251	655,924
Cash flows from investing activities		
Purchases of property and equipment	(8,462)	(1,973)
Proceeds from sale of investments	124,220	110,048
Purchases of investments	(1,945,865)	(356,256)
Net cash used by investing activities	(1,830,107)	(248,181)
Cash flows from financing activities		
Proceeds from PPP loan	-	131,105
Net cash provided by financing activities	-	131,105
Net change in cash and cash equivalents	209,144	538,848
Cash and cash equivalents, beginning of year	1,327,572	788,724
Cash and cash equivalents, end of year	\$ 1,536,716	\$ 1,327,572

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

National Council of Nonprofits

Notes to Financial Statements

-
- 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, 2021 and 2020, cash and cash equivalents were comprised of bank deposits and money market funds.

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

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

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, 2021 and 2020, the accounts receivable balance is deemed fully collectible and management has not recorded an allowance for bad debt.

Property and equipment: The Council capitalizes the cost of furniture and equipment, capitalized website costs and leasehold improvements that cost \$500 or more and that have useful lives of more than one year. Furniture, equipment and website costs are depreciated or amortized over estimated useful lives of three to five years using the straight-line method. Leasehold improvements are amortized over the life of the lease.

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

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

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.

National Council of Nonprofits

Notes to Financial Statements

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.

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.

National Council of Nonprofits

Notes to Financial Statements

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

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

Year ended December 31, 2020	Job Board Revenue	Advertising Income	Other Fees for Service Income	Total
Recognized over time	\$ 47,248	\$ -	\$ -	\$ 47,248
Recognized at a point in time	-	29,801	28,354	58,155
Total	\$ 47,248	\$ 29,801	\$ 28,354	\$ 105,403

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, 2020 were as follows:

Accounts receivable	\$ 8,300
Deferred revenue	4,875

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>2021</u>	<u>2020</u>
Amounts due in less than one year	\$ 1,425,250	\$ 298,000
Amounts due in one to five years	875,000	250,000
<hr/>		
Less: discount to net present value	(22,836)	(649)
Contributions receivable, net	\$ 2,277,414	\$ 547,351

As of December 31, 2021 and 2020, 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, 2021 and 2020.

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

Contributed services: The Council recognizes contributed services at fair value if the services (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills and (c) would typically need to be purchased if not provided by donation. The Council receives in-kind donations of travel vouchers, communications, and consulting services. The amounts reflected in the accompanying financial statements as contributed services are offset by like amounts included in expenses. For the years ended December 31, 2021 and 2020, contributed services amounted to \$66,400 and \$96,250, respectively.

Various members of the Board of Directors have made significant contributions of their time to develop the Council and its programs. No amounts have been recognized in the accompanying statements of activities and changes in net assets because the criteria for recognition of such efforts under U.S. GAAP have not been satisfied.

National Council of Nonprofits

Notes to Financial Statements

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 related expenses	Time and effort
Professional services	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 2018 through the current year remain open for examination by tax authorities.

National Council of Nonprofits

Notes to Financial Statements

Recently issued pronouncement not yet adopted: In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (“ASU”) 2016-02, *Leases (Topic 842)*, which supersedes the existing lease accounting standard and sets out principles for the recognition, measurement, presentation and disclosure of leases. Under the new guidance, a lessee will be required to recognize lease assets and lease liabilities for all leases with lease term in excess of twelve months. The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expenses is recognized based on an effective interest method or on a straight-line basis over the term of the lease. In June 2020, the FASB issued ASU No. 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842), Effective Dates for Certain Entities*, which delays the effective date of ASU 2016-02 to annual reporting periods beginning after December 15, 2021. Entities are also allowed to choose to adopt the standard as of the original effective date. The Council adopted this new standard as of January 1, 2022. The Council is in the process of evaluating the impact from this new guidance.

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 is not expected to 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.

Reclassifications: Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. On the Statement of Functional Expenses, Telephone and Teleconference were combined into one natural category of expenses entitled Telephone. The reclassifications had no impact on previously reported net assets.

Subsequent events: Material subsequent events have been considered for disclosure and recognition in these financial statements through June 14, 2022, the date the financial statements were available to be issued.

National Council of Nonprofits

Notes to Financial Statements

2. Investments In accordance with U.S. GAAP, the Council uses the following prioritized input levels to measure fair value. The input levels used for valuing investments are not necessarily an indication of risk.

Level 1: Observable inputs that reflect quoted prices for identical assets or liabilities in active markets, such as stock quotes.

Level 2: Includes inputs other than level 1 inputs that are directly or indirectly observable in the marketplace, such as yield curves or other market data.

Level 3: Unobservable inputs which reflect the reporting entity's assessment of the assumptions that market participants would use in pricing the asset or liability including assumptions about risk, such as bid/ask spreads and liquidity discounts.

Investments are reported at fair value and consist of the following at December 31, 2021 and 2020:

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	-	-	-
Total	\$ 2,499,242	\$ -	\$ -	\$ -

National Council of Nonprofits

Notes to Financial Statements

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

* 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, 2021 and 2020:

	2021	2020
Net realized and unrealized gain on investments	\$ 18,845	\$ 28,956
Dividend and interest income	1,437	1,731
Investment fees	(8,292)	(3,791)
Total investment earnings	\$ 11,990	26,896

National Council of Nonprofits

Notes to Financial Statements

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, 2021 and 2020:

	2021	2020
Cash and cash equivalents	\$ 1,536,716	\$ 1,327,572
Investments	2,499,242	658,752
Accounts receivable	6,850	20,958
Contributions receivable	2,277,414	547,351
Total financial assets	6,320,222	2,554,633
Amounts not available within one year:		
Less contributions receivable due in one to five years, net	(852,164)	(249,351)
Less net assets designated for specific purposes	(1,000,000)	(543,757)
Financial assets available to meet cash needs for general expenditures within one year	\$ 4,468,058	\$ 1,761,525

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.

4. Property and Equipment

Property and equipment consists of the following at December 31, 2021 and 2020:

	2021	2020
Furniture and equipment	\$ 139,189	\$ 130,727
Leasehold improvements	284,981	284,981
Capitalized website costs	31,838	31,838
Less: Accumulated depreciation and amortization	(334,461)	(297,826)
Property and equipment, net	\$ 121,547	\$ 149,720

Depreciation expense and amortization for the years ended December 31, 2021 and 2020, amounted to \$36,635 and \$36,664, respectively.

National Council of Nonprofits

Notes to Financial Statements

- 5. Net Assets** 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 Purpose restricted	\$ 544,351	\$ 3,282,813	\$ (1,712,920)	\$ 2,114,244
	300,420	-	-	300,420
	\$ 844,771	\$ 3,282,813	\$ (1,712,920)	\$ 2,414,664

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

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

- 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, 2021 and 2020, was \$206,169 and \$212,201, respectively.

National Council of Nonprofits

Notes to Financial Statements

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

Years ending December 31:		
2022	\$	256,284
2023		262,686
2024		269,238
2025		275,970
2026		93,128
Future minimum lease payments	\$	1,157,306

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

On May 1, 2020, the Council obtained a loan totaling \$131,105, pursuant to the Paycheck Protection Program (PPP) under Division A, Title I of the CARES Act of March 27, 2020. The Council 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.

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, 2021 and 2020, the Council contributed \$49,127 and \$40,483 to the Plan, respectively.