

**DRAFT 05/24/06**

## **Colorado Nonprofit Association**

**Consolidated Financial Statements and Supplementary  
Information**

**December 31, 2005**

**(With Independent Auditor's Report Thereon)**

## **Independent Auditor's Report**

**Board of Directors  
Colorado Nonprofit Association:**

We have audited the accompanying consolidated statement of financial position of Colorado Nonprofit Association as of December 31, 2005, and the related consolidated statements of activities and cash flows for the year then ended. These consolidated financial statements are the responsibility of Colorado Nonprofit Association's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Colorado Nonprofit Association as of December 31, 2005, and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The supplemental information included in the accompanying schedules is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic consolidated financial statements taken as a whole.

May 11, 2006

**Colorado Nonprofit Association**  
**Consolidated Statement of Financial Position**  
**December 31, 2005**

<b>Assets:</b>	
Cash and cash equivalents	\$ 600,829
Accounts receivable	82,154
Contributions receivable (note 2)	55,000
Prepaid expenses and other assets	47,222
Publications inventory	8,311
Insurance premium escrow	66,712
Property and equipment, less accumulated depreciation and amortization of \$102,374 (note 3)	165,670
Total assets	\$ 1,025,898
 <b>Liabilities and Net Assets:</b>	
Accounts payable	\$ 88,716
Accrued payroll expenses	45,746
Deferred revenue	119,704
Lease payable (note 4)	12,215
Note payable (note 5)	34,249
Deferred income tax liability	9,724
Deferred compensation	5,366
Total liabilities	315,720
 Net assets (note 7):	
Unrestricted:	
Undesignated	136,472
Investment in property and equipment	119,206
Board designated for endowment	5,000
Designated for operating reserve	357,000
	617,678
Temporarily restricted	92,500
Total net assets	710,178
 Commitments (notes 4 and 6)	
Total liabilities and net assets	\$ 1,025,898

See accompanying notes to consolidated financial statements.

**Colorado Nonprofit Association**  
**Consolidated Statement of Activities**  
**Year Ended December 31, 2005**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Revenues, Gains and Support:</b>			
Contributions and grants	\$ 535,225	61,000	596,225
Colorado Nonprofit Week	39,350	21,500	60,850
Seminars and workshops	37,303	-	37,303
Memberships	262,319	-	262,319
Conferences	132,634	10,000	142,634
Publication sales	11,556	-	11,556
Advertising and mailing lists	26,696	-	26,696
Commissions, royalties and fees for services	851,261	-	851,261
Interest income and other	5,336	-	5,336
Net assets released from restrictions (note 7)	58,500	(58,500)	-
Total revenue, gains and support	<u>1,960,180</u>	<u>34,000</u>	<u>1,994,180</u>
<b>Expenditures:</b>			
Program activities:			
Colorado Nonprofit Week	93,401	-	93,401
Education programs	121,325	-	121,325
Member services	126,006	-	126,006
Conferences	93,348	-	93,348
Nonprofit advocacy	390,722	-	390,722
Insurance services	533,963	-	533,963
Total program activities	<u>1,358,765</u>	<u>-</u>	<u>1,358,765</u>
Supporting activities:			
Management and general	400,130	-	400,130
Fundraising	86,933	-	86,933
Total supporting activities	<u>487,063</u>	<u>-</u>	<u>487,063</u>
Total expenditures	<u>1,845,828</u>	<u>-</u>	<u>1,845,828</u>
<b>Change in net assets</b>	114,352	34,000	148,352
Net assets at beginning of year	<u>503,326</u>	<u>58,500</u>	<u>561,826</u>
<b>Net assets at end of year</b>	<u>\$ 617,678</u>	<u>92,500</u>	<u>710,178</u>

See accompanying notes to consolidated financial statements.

**Colorado Nonprofit Association**  
**Consolidated Statement of Cash Flows**  
**Year Ended December 31, 2005**

<b>Cash flows from operating activities:</b>	
Change in net assets	\$ 148,352
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	33,689
Loss on disposal of assets	5,497
(Increase) decrease in operating assets:	
Accounts receivable	(36,577)
Contributions receivable	(20,750)
Prepaid expenses and other	(7,297)
Publications inventory	5,131
Decrease in operating liabilities:	
Accounts payable and accrued expense	(52,012)
Deferred revenue	(668)
Deferred income tax liability	(2,376)
Net cash provided by operating activities	<u>72,989</u>
<b>Cash flows from investing activities:</b>	
Payments for purchases of property and equipment	(126,964)
Net cash used in investing activities	<u>(126,964)</u>
<b>Cash flows from financing activities:</b>	
Proceeds from note payable	37,645
Repayments of lease payable	(3,019)
Repayments of note payable	(3,397)
Net cash provided by financing activities	<u>31,229</u>
Net decrease in cash and cash equivalents	(22,746)
Cash and cash equivalents, beginning of year	<u>623,575</u>
<b>Cash and cash equivalents, end of year</b>	<b><u><u>\$ 600,829</u></u></b>
<b>Supplemental disclosures of cash flow information:</b>	
Cash paid during the year for interest	\$ <u>1,655</u>
Cash paid during the year for taxes	\$ <u>8,090</u>

See accompanying notes to consolidated financial statements.

# Colorado Nonprofit Association

## Notes to Consolidated Financial Statements

December 31, 2005

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### (1) Summary of Significant Accounting Policies

#### (a) General

##### Reporting Entity

Colorado Nonprofit Association, formerly known as Colorado Association of Nonprofit Organizations (CANPO), is a nonprofit corporation, organized to provide social betterment of nonprofit organizations in the State of Colorado, including their members or clients; to increase effectiveness of nonprofit organizations serving the people of the State of Colorado; to share information with the administrative and legislative branches of state, county and local government on the role of nonprofit organizations; to educate the general public and services and needs of nonprofit organizations; and to provide services to assist nonprofit organizations in carrying out their missions.

The accompanying consolidated financial statements include the accounts of Nonprofit Resources, Inc., formerly known as CANPO ASI, a wholly owned for-profit subsidiary. Nonprofit Resources, Inc. was organized to provide insurance coverage for nonprofit organizations and their employees in Colorado.

The consolidated financial statements also include the accounts of Citizen Action for Colorado Nonprofits (CACN), a 501(c)(4) organization formed by Colorado Nonprofit Association, which carries out research and organizes action on legislative issues impacting the ability of nonprofit organizations to serve Colorado communities.

#### (b) Consolidated Financial Statement Presentation

##### Consolidated Financial Statements

The consolidated financial statements include the accounts of Colorado Nonprofit Association, Nonprofits Resources, Inc. and CACN (hereinafter collectively referred to as "Colorado Nonprofit Association"). All significant intercompany balances and transactions have been eliminated.

##### Basis of Accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting, and accordingly reflect all significant receivables, payables, and other liabilities.

##### Basis of Presentation

Financial statement presentation follows the requirements of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards ("SFAS") No. 117, *Financial Statements of Not-For-Profit Organizations*. Under SFAS No. 117, Colorado Nonprofit Association is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. There are no permanently restricted net assets at December 31, 2005.

# Colorado Nonprofit Association

## Notes to Consolidated Financial Statements, Continued

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### (1) Summary of Significant Accounting Policies, Continued

#### (c) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### (d) Contributions

Colorado Nonprofit Association accounts for contributions in accordance with the requirements of the Financial Accounting Standards Board in SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restrictions expire in the same year in which the gift is received.

All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

#### (e) Contributions Receivable

Unconditional contributions receivable are recognized as revenues in the period the promise is received. Unconditional contributions receivable are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year. Conditional contributions receivable are recognized when the conditions on which they depend are substantially met.

Colorado Nonprofit Association uses the allowance method to determine uncollectible contributions receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. There was no allowance for uncollectible contributions receivable at December 31, 2005.

#### (f) Cash and Cash Equivalents

Colorado Nonprofit Association considers all unrestricted highly liquid investments with an original maturity of three months or less, and which are not held by investment managers as part of an investment portfolio, to be cash equivalents.

# Colorado Nonprofit Association

## Notes to Consolidated Financial Statements, Continued

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### (1) Summary of Significant Accounting Policies, Continued

#### (g) Revenue Recognition

Membership dues are recognized ratably over the term of the membership period. Conference, roundtable and Colorado Nonprofit Week participation fees are recognized during the year in which the event is held.

Commissions and fees for insurance services are generally recognized on the effective date of the policies or the billing date, whichever is later. Any subsequent commission adjustments, include policy cancellation, are generally recognized upon notification from the insurance carriers. Commissions on policies billed and collected directly by insurance carriers are recognized when earned.

#### (h) Concentrations of Credit Risk

Financial instruments which potentially subject Colorado Nonprofit Association to concentrations of credit risk consist of cash accounts which may, during the year, exceed the federally insured limit set by the Federal Deposit Insurance Corporation (FDIC), money market accounts, and certificates of deposit. Colorado Nonprofit Association places its cash, money market accounts, and certificates of deposit with creditworthy, high quality financial institutions.

#### (i) Publications Inventory

Inventory consists of books and other publications sold to the public. Inventory is stated at the lower of cost or market determined by the first-in, first-out method.

#### (j) Property and Equipment

Property and equipment is stated at cost or, if donated, at the fair market value at the date of donation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets ranging from three to seven years. Colorado Nonprofit Association capitalizes all fixed asset purchases over \$500 with an estimated useful life of three years or more.

#### (k) Accounts Receivable

Accounts receivable represent amounts due resulting from publication sales and services provided to members and nonmembers. There are also accounts receivable for insurance commissions. The allowance for doubtful accounts is based upon past experience and on analysis of current accounts receivable collectibility. Accounts deemed uncollectible are charged to the allowance in the year they are deemed uncollectible. Accounts receivable are considered to be past due based on how recently payments have been received. There was no allowance for uncollectible accounts receivable at December 31, 2005.

# Colorado Nonprofit Association

## Notes to Consolidated Financial Statements, Continued

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### (1) Summary of Significant Accounting Policies, Continued

#### (l) Advertising

Colorado Nonprofit Association uses advertising to promote its programs to the nonprofit sector. The production costs of advertising are expensed as incurred. During the year ended December 31, 2005, advertising expense was \$18,301, which includes donated advertising of \$18,000. Donated advertising revenue is included in contributions; advertising expense is included in management and general expenses in the accompanying statement of activities.

#### (m) Income Tax Status

Colorado Nonprofit Association is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and qualifies for the charitable contribution deduction. However, income from activities not directly related to its tax-exempt purpose is subject to taxation as unrelated business income.

Nonprofit Resources, Inc. is a for-profit corporation and is subject to federal and state income taxes at the applicable corporate rates. Nonprofit Resources, Inc. follows the accounting requirements of SFAS 109, "*Accounting for Income Taxes*". This Statement uses an asset and liability approach in accounting for income taxes. Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes, if any. Deferred taxes are recognized based on tax effects attributable to temporary differences of assets and liabilities and loss carryforwards which are deductible or taxable in future years.

CACN is exempt from federal income tax under Section 501(c)(4) of the Internal Revenue Code. Under Section 501(c)(4) donors may not deduct contributions to CACN.

## Colorado Nonprofit Association

### Notes to Consolidated Financial Statements, Continued

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#### (2) Contributions Receivable

Contributions receivable at June 30, 2005, totaling \$55,000 are scheduled to be collected as follows:

Receivable in less than one year	\$ 40,000
Receivable in more than one year	<u>15,000</u>
	\$ <u>55,000</u>

Amounts due in more than one year are not discounted because the effect would not be significant. Uncollectible contributions receivable are also expected to be insignificant. Contributions receivable are classified as temporarily restricted assets at December 31, 2005.

In addition, Colorado Nonprofit Association has received a \$225,000 three year pledge from a foundation conditioned on Colorado Nonprofit Association raising matching funds from new funding sources for each of the years ending December 31, 2005, 2006, and 2007. Colorado Nonprofit Association raised the required matching contributions for 2005 and received a \$75,000 contribution which is recorded as a contribution in the statement of activities. The remaining \$150,000 of the contribution will not be recognized as an asset in the statement of financial position until the conditions are satisfied.

#### (3) Property and Equipment

Property and equipment consisted of the following at December 31, 2005:

Office equipment	\$ 110,453
Furniture and fixtures	82,241
Leasehold improvements	<u>75,350</u>
	268,044
Less accumulated depreciation and amortization	(102,374)
	\$ <u>165,670</u>

Colorado Nonprofit Association paid a company, which is owned by a sibling of a board member, for the construction of leasehold improvements and purchases of furniture and fixtures that totaled \$58,442 and \$15,344, respectively. Management considers this to be an arms-length transaction.

## Colorado Nonprofit Association

### Notes to Consolidated Financial Statements, Continued

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#### (4) Leases

##### Capital Lease

Colorado Nonprofit Association leases certain equipment under a capital lease arrangement. The economic substance of the lease is that Colorado Nonprofit Association is financing the acquisition of the equipment through the lease. Accordingly, the leased equipment totaling \$17,000 is included in property and equipment on the Statement of Financial Position.

The following is a schedule of future minimum lease payments required under this lease agreement:

2006	\$ 4,068
2007	4,068
2008	4,068
2009	<u>1,695</u>
Total minimum lease payments	13,899
Less amount representing interest	<u>(1,684)</u>
Present value of minimum lease payments	\$ <u>12,215</u>

##### Operating Lease

Colorado Nonprofit Association leases its office space under a non-cancelable operating lease, which expires on December 31, 2008. Future minimum lease payments at December 31 are as follows:

2006	\$ 115,304
2007	119,280
2008	<u>123,256</u>
	\$ <u>357,840</u>

Rent expense was \$101,431 for the year ended December 31, 2005.

#### (5) Note Payable

In 2005 Colorado Nonprofit Association entered into a note agreement with its landlord to finance its tenant improvements. The note agreement requires monthly payments of \$1,001, including interest at 5%, with the final payment of the unpaid principal balance and accrued interest due on December 1, 2008. At December 31, 2005, the outstanding principal balance is \$34,249.

As of December 31 2005, required future annual principal payments are as follows:

<u>Year Ended</u>	
<u>December 31,</u>	
2006	\$ 10,536
2007	11,075
2008	<u>12,638</u>
	\$ <u>34,249</u>

## Colorado Nonprofit Association

### Notes to Consolidated Financial Statements, Continued

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#### (6) Retirement Plan

Colorado Nonprofit Association sponsors a tax deferred employee retirement plan under the provisions of Internal Revenue Code Section 403(b). All full-time employees and part-time employees, who work at least half-time, are eligible to participate in the plan after three months of employment. Participation is voluntary and Colorado Nonprofit Association has no obligation to match employee contributions to the plan.

Nonprofit Resources, Inc. adopted a Savings Incentive Match Plan (SIMPLE IRA) effective January 1, 2004. All employees who are expected to receive at least \$5,000 annual compensation are eligible to participate in the plan. Nonprofit Resources, Inc. matches up to 3% of the employee's annual salary. Nonprofit Resources, Inc.'s matching contribution totaled \$8,917 for the year ended December 31, 2005.

#### (7) Restrictions on Net Assets

At December 31, 2005 temporarily restricted net assets are available for the following purposes or periods:

2006 Colorado Nonprofit Week	\$ 21,500
2006 Spring Conference	10,000
Other program activities	6,000
Contributions receivable	<u>55,000</u>
	\$ <u>92,500</u>

Net assets released from restriction consisted of the following:

2005 Colorado Nonprofit Week	\$ 36,000
Other program activities	<u>22,500</u>
	\$ <u>58,500</u>

**Colorado Nonprofit Association**  
**Schedule - Consolidating Statement of Financial Position Information**  
**December 31, 2005**

	Colorado Nonprofit Association	Citizen Action for Colorado Nonprofits	Nonprofit Resources, Inc.	Elimin- ations	Total
<b>Assets:</b>					
Cash and cash equivalents	\$ 470,405	1,813	128,611	-	600,829
Accounts receivable	38,381		43,773	-	82,154
Contributions receivable	55,000	-	-	-	55,000
Prepaid expenses and other	31,769	-	15,453	-	47,222
Inventory	8,311	-	-	-	8,311
Investment in Nonprofit Resources, Inc.	212,824	-	-	(212,824)	-
Insurance premium escrow	-	-	66,712	-	66,712
Furniture and equipment, net	84,922	-	80,748	-	165,670
<b>Total Assets</b>	<b>\$ 901,612</b>	<b>1,813</b>	<b>335,297</b>	<b>(212,824)</b>	<b>1,025,898</b>
<b>Liabilities and Net Assets:</b>					
Accounts payable	\$ 15,239	-	73,477	-	88,716
Accrued payroll expenses	24,055	-	21,691	-	45,746
Deferred revenue	119,704	-	-	-	119,704
Lease payable	-	-	12,215	-	12,215
Note payable	34,249	-	-	-	34,249
Deferred income tax liability	-	-	9,724	-	9,724
Deferred compensation	-	-	5,366	-	5,366
<b>Total liabilities</b>	<b>193,247</b>	<b>-</b>	<b>122,473</b>	<b>-</b>	<b>315,720</b>
Common stock	-	-	100	(100)	-
Retained earnings	-	-	212,724	(212,724)	-
Net assets:					
Unrestricted:					
Undesignated	258,865	1,813	-	-	260,678
Designated	357,000	-	-	-	357,000
	615,865	1,813	212,824	(212,824)	617,678
Temporarily restricted	92,500	-	-	-	92,500
<b>Total net assets</b>	<b>708,365</b>	<b>1,813</b>	<b>212,824</b>	<b>(212,824)</b>	<b>710,178</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 901,612</b>	<b>1,813</b>	<b>335,297</b>	<b>(212,824)</b>	<b>1,025,898</b>

**Colorado Nonprofit Association**  
**Schedule - Consolidating Statement of Activities**  
**Year Ended December 31, 2005**

	Colorado Nonprofit Association		Citizen Action	Nonprofit	Eliminations	Total	
			for Nonprofits	Resources, Inc.			
	Unrestricted	Temporarily Restricted	Unrestricted	Unrestricted		Unrestricted	Temporarily Restricted
<b>Revenues, gains and support:</b>							
Contributions and grants	\$ 487,525	61,000	47,700	-	-	535,225	61,000
Colorado Nonprofit Week	39,350	21,500	-	-	-	39,350	21,500
Seminars and workshops	37,303	-	-	-	-	37,303	-
Members' support and dues	262,319	-	-	-	-	262,319	-
Conferences	132,634	10,000	-	-	-	132,634	10,000
Publication sales	11,556	-	-	-	-	11,556	-
Advertising and mailing lists	26,696	-	-	-	-	26,696	-
Commissions, royalties and fees for services	99,512	-	-	784,149	(32,400)	851,261	-
Equity in subsidiary net income	28,929	-	-	-	(28,929)	-	-
Interest income and other	3,091	-	2	2,243	-	5,336	-
Net assets released from restrictions	58,500	(58,500)	-	-	-	58,500	(58,500)
Total revenues, gains and support	<u>1,187,415</u>	<u>34,000</u>	<u>47,702</u>	<u>786,392</u>	<u>(61,329)</u>	<u>1,960,180</u>	<u>34,000</u>
<b>Expenditures:</b>							
Program services:							
Colorado Nonprofit Week	93,401	-	-	-	-	93,401	-
Education programs	121,325	-	-	-	-	121,325	-
Member services	126,006	-	-	-	-	126,006	-
Conferences	93,348	-	-	-	-	93,348	-
Nonprofit advocacy	344,858	-	45,864	-	-	390,722	-
Insurance services	-	-	-	533,963	-	533,963	-
Total program services	<u>778,938</u>	<u>-</u>	<u>45,864</u>	<u>533,963</u>	<u>-</u>	<u>1,358,765</u>	<u>-</u>

Continued

**Colorado Nonprofit Association**  
**Schedule - Consolidating Statement of Activities**  
**Year Ended December 31, 2005**

	Colorado Nonprofit Association		Citizen Action for Nonprofits	Nonprofit Resources, Inc.	Eliminations	Total	
	Unrestricted	Temporarily Restricted	Unrestricted	Unrestricted		Unrestricted	Temporarily Restricted
Supporting activities:							
Management and general	206,961	-	2,069	223,500	(32,400)	400,130	-
Fundraising	86,933	-	-	-	-	86,933	-
Total supporting activities	293,894	-	2,069	223,500	(32,400)	487,063	-
Total expenditures	1,072,832	-	47,933	757,463	(32,400)	1,845,828	-
Change in net assets	114,583	34,000	(231)	28,929	(28,929)	114,352	34,000
Net assets at beginning of year	501,282	58,500	2,044	203,895	(203,895)	503,326	58,500
Less dividend declared	-	-	-	(20,000)	20,000	-	-
<b>Net assets at end of year</b>	<b>\$ 615,865</b>	<b>92,500</b>	<b>1,813</b>	<b>212,824</b>	<b>(212,824)</b>	<b>617,678</b>	<b>92,500</b>