

**Nonprofit Association of the Midlands  
FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT  
For the year ended December 31, 2016**

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Nonprofit Association of the Midlands

We have audited the accompanying financial statements of Nonprofit Association of the Midlands a nonprofit organization (the Organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nonprofit Association of the Midlands as of December 31, 2016, 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.

### **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 16 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

### **Report on Summarized Comparative Information**

We have previously audited the Nonprofit Association of the Midlands's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 28, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Hayes & Associates, LLC  
August 4, 2017

Nonprofit Association of the Midlands  
STATEMENT OF FINANCIAL POSITION  
December 31, 2016  
(With comparative totals for 2015)

|  | 2016       | 2015       |
|--|------------|------------|
| ASSETS   |            |            |
| CURRENT ASSETS   |            |            |
| Cash and cash equivalents  | \$ 217,764 | \$ 144,567 |
| Accounts receivable  | 15,335     | 14,325     |
| Prepaid expenses   | 6,996      | 6,363      |
| Grants receivable, net discount of \$950 and \$1,074 respectively  | 277,050    | 159,426    |
| Total current assets   | 517,145    | 324,681    |
| NONCURRENT ASSETS  |            |            |
| Property, equipment & other media,<br>net of accumulated depreciation of \$27,283 and \$25,185, respectively | 8,803      | 13,853     |
| Website development costs,<br>net of accumulated depreciation of \$11,009 and \$9,148, respectively          | 8,607      | 473        |
| Grants receivable - net of current portion   | 73,000     | 146,000    |
| Total noncurrent assets  | 90,410     | 160,326    |
| Total assets   | \$ 607,555 | \$ 485,007 |
| LIABILITIES AND NET ASSETS   |            |            |
| CURRENT LIABILITIES  |            |            |
| Accounts payable   | \$ 10,935  | \$ 11,240  |
| Payroll liabilities  | 32,427     | 17,092     |
| Deferred revenues  | 86,046     | 87,527     |
| Total current liabilities  | 129,408    | 115,859    |
| NET ASSETS   |            |            |
| Unrestricted   | 21,745     | 4,335      |
| Temporarily restricted   | 456,402    | 364,813    |
| Total net assets   | 478,147    | 369,148    |
| Total liabilities and net assets   | \$ 607,555 | \$ 485,007 |

See accompanying notes and independent auditor's report.

Nonprofit Association of the Midlands  
STATEMENT OF ACTIVITIES  
For the year ended December 31, 2016  
(With comparative totals for 2015)

|                                       | Unrestricted      | Temporarily<br>Restricted | 2016              | 2015              |
|---------------------------------------|-------------------|---------------------------|-------------------|-------------------|
|                                       | <u>          </u> | <u>          </u>         | <u>          </u> | <u>          </u> |
| <b>SUPPORT AND REVENUE</b>            |                   |                           |                   |                   |
| Grants                                | \$ 40,124         | \$ 285,000                | \$ 325,124        | \$ 452,926        |
| Program income                        | 90,597            | -                         | 90,597            | 88,278            |
| Membership dues                       | 115,893           | -                         | 115,893           | 111,338           |
| Contributions                         | 75,908            | -                         | 75,908            | 95,426            |
| Special events                        | 39,400            | -                         | 39,400            | -                 |
| Less: direct benefit to donors        | (6,302)           | -                         | (6,302)           | -                 |
| In-Kind Contributions                 | 2,000             | -                         | 2,000             | 454               |
| Interest income                       | 214               | -                         | 214               | 198               |
| Other revenues                        | 2,459             | -                         | 2,459             | 3,379             |
| Total support and revenue             | <u>360,293</u>    | <u>285,000</u>            | <u>645,293</u>    | <u>751,999</u>    |
| <b>EXPENSES</b>                       |                   |                           |                   |                   |
| Program services                      | 159,974           | -                         | 159,974           | 144,952           |
| Supporting services                   |                   |                           |                   |                   |
| Management and general                | 119,554           | -                         | 119,554           | 100,760           |
| Membership activities                 | 192,745           | -                         | 192,745           | 176,674           |
| Fundraising                           | 64,021            | -                         | 64,021            | 56,042            |
| Total supporting services             | <u>376,320</u>    | <u>-</u>                  | <u>376,320</u>    | <u>333,476</u>    |
| Total expenses                        | <u>536,294</u>    | <u>-</u>                  | <u>536,294</u>    | <u>478,427</u>    |
| Net assets released from restrictions | <u>193,411</u>    | <u>(193,411)</u>          | <u>-</u>          | <u>-</u>          |
| CHANGE IN NET ASSETS                  | 17,410            | 91,589                    | 108,999           | 273,572           |
| NET ASSETS, BEGINNING OF PERIOD       | <u>4,335</u>      | <u>364,813</u>            | <u>369,148</u>    | <u>95,576</u>     |
| NET ASSETS, END OF PERIOD             | <u>\$ 21,745</u>  | <u>\$ 456,402</u>         | <u>\$ 478,147</u> | <u>\$ 369,148</u> |

See accompanying notes and independent auditor's report.

Nonprofit Association of the Midlands  
STATEMENT OF CASH FLOWS  
For the year ended December 31, 2016  
(With comparative totals for 2015)

|   | 2016       | 2015       |
|---|------------|------------|
| CASH FLOWS FROM OPERATING ACTIVITIES  |            |            |
| Change in net assets  | \$ 108,999 | \$ 273,572 |
| Adjustments to reconcile change in net assets to net cash from operating activities |            |            |
| Depreciation  | 10,340     | 13,408     |
| Change in accounts receivable   | (1,010)    | (13,605)   |
| Change in grants receivable - net of current portion                                | (117,624)  | (159,426)  |
| Change in prepaid expenses  | (633)      | (80)       |
| Change in grants receivable - net of current portion                                | 73,000     | (146,000)  |
| Change in accounts payable  | (305)      | 4,311      |
| Change in payroll liabilities   | 15,335     | 6,024      |
| Change in deferred revenues   | (1,481)    | 11,592     |
| NET CASH FROM OPERATING ACTIVITIES  | 86,621     | (10,204)   |
| CASH FLOWS FROM INVESTING ACTIVITIES  |            |            |
| Purchase of property, equipment & other media                                       | (16,134)   | (7,062)    |
| Disposition of capital assets   | 2,710      | -          |
| NET CASH FROM INVESTING ACTIVITIES  | (13,424)   | (7,062)    |
| CHANGE IN CASH AND CASH EQUIVALENTS   | 73,197     | (17,266)   |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR  | 144,567    | 161,833    |
| CASH AND CASH EQUIVALENTS, END OF YEAR  | \$ 217,764 | \$ 144,567 |

See accompanying notes and independent auditor's report.

Nonprofit Association of the Midlands  
NOTES TO FINANCIAL STATEMENTS  
For the year ended December 31, 2016

NOTE A.      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies of Nonprofit Association of the Midlands (the Organization).

1.      Organization

The Organization is a State association for nonprofits in Nebraska and western Iowa that works to build the capacity and organizational effectiveness of its members. The mission of the Organization is to strengthen the collective voice, leadership, and capacity of nonprofit organizations to enrich the quality of community life. Among its programs and services are professional development, group purchasing discounts, and advocacy on policy issues. The Organization also works to provide tools to its members to manage their nonprofit organizations more effectively.

2.      Basis of Accounting

The Organization prepares its financial statements on accrual basis of accounting and accordingly reflects all significant receivables, payables, and other liabilities. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. This will affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

3.      Basis of Presentation

The Organization presents its financial position and activities according to the following three classes of net assets:

- a.      Unrestricted net assets include those net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by contract or by Board designation.



Nonprofit Association of the Midlands  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
For the year ended December 31, 2016

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Basis of Presentation - Continued

- b. Temporarily restricted net assets are those net assets whose use by the Organization has been limited by donors to later periods of time or after specified dates or to specified purposes.
- c. Permanently restricted net assets are those net assets whose use by the Organization has donor-imposed restrictions that stipulate resources be maintained permanently but permits the Organization to use up or expend part or all of the income (or economic benefits) derived from the donated assets. As of December 31, 2016, the Organization had no permanently restricted net assets.

4. Comparative Financial Information and Reclassifications

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2015, from which the summarized information was derived.

5. Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Nonprofit Association of the Midlands considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash and cash equivalents designated for long-term purposes or received with donor-imposed restrictions limiting their use to long-term purposes are not considered cash or cash equivalents for purposes of the statement of cash flows.

Nonprofit Association of the Midlands  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
For the year ended December 31, 2016

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

6. Property, Equipment & Other Media

Property, equipment and other media are recorded at cost or, if donated, at the approximate fair value at the date of donation. Property, equipment and other media which cost \$1,000 or more are capitalized. Depreciation and amortization are computed using a straight line depreciation method over the estimated useful lives of the assets, ranging from three to seven years.

7. Website Development Costs

Website development costs are categorized into the following stages: planning the website, developing the applications and infrastructure, developing graphics, developing/converting content, operating the site. Costs exceeding \$1,000 which are incurred to develop applications, infrastructure, and graphics are capitalized. Amortization is computed using a straight line depreciation method over the estimated useful life of the site, ranging from three to five years. Costs for website planning, content development/conversion, and operation stages are expensed as incurred.

8. Deferred Revenue

Income from membership dues, subscription fees, and program fees is deferred and recognized over the periods to which the dues and fees relate.

9. Revenues and Reclassifications

Contributions are recognized when the donor makes a promise to give to the Nonprofit Association of the Midlands that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Membership dues, subscription fees, and program fees are recognized when earned.

Nonprofit Association of the Midlands  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
For the year ended December 31, 2016

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

10. Contributed Services and Materials

The Organization may receive benefits from services rendered which are provided free of charge. Revenue and a corresponding expense are recognized at the fair value for contributed services when either contributed services create or enhance a non-financial asset or require specialized skills that the provider possesses and which would ordinarily be purchased.

Donated materials are recorded as contributions or expenses in the period received. Such donations are recorded at their fair value on the date of donation. Donated materials are not recorded in the following when the organization serves only as an agent for the donors and the donated materials pass through the organization to its beneficiaries or when values for donated materials cannot reasonably be determined.

11. Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

12. Income Taxes

Nonprofit Association of the Midlands is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no income taxes are included in these financial statements. The Internal Revenue Service has classified Nonprofit Association of the Midlands as an organization other than a private foundation.

13. Joint Costs

The Organization incurs joint costs activities associated with both program and fundraising appeals relevant to the annual Summit special event. These costs are allocated between program and fundraising costs, and are appropriately disclosed and presented on Nonprofit Association of the Midlands' Statement of Functional Expenses.

Nonprofit Association of the Midlands  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
For the year ended December 31, 2016

NOTE B. CASH AND CREDIT RISK

As of December 31, 2016, Nonprofit Association of the Midlands had no deposits in excess of FDIC insured limits.

NOTE C. PROMISES TO GIVE

Promises to give are due as follows:

|  | 2016       |
|--|------------|
| Due within one year                    | \$258,000  |
| Less: Discount for time value of money | (950)      |
| Unconditional promises to give         | 20,000     |
|  | 277,050    |
| <br>                                   |            |
| Due after one year through five years  | 73,000     |
|  | \$ 350,050 |

NOTE D. OPERATING LEASE COMMITMENTS

The Organization leases office space under a non-cancelable operating lease. The lease began on April 1, 2011 and ends on March 31, 2016. The lease was renewed in March 2016 from April 1, 2016 through March 31, 2019. The monthly rent is as follows:

| Period                           | Rent     |
|----------------------------------|----------|
| April 1, 2017, to March 31, 2018 | \$ 2,214 |
| April 1, 2018, to March 31, 2019 | 2,281    |

Nonprofit Association of the Midlands  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
For the year ended December 31, 2016

NOTE D. OPERATING LEASE COMMITMENTS - CONTINUED

Total rent paid during the year ended December 31, 2016 was \$25,602. Future minimum lease payments are as follows:

|                          |           |
|--------------------------|-----------|
| Year ending December 31, |           |
| 2017                     | 26,372    |
| 2018                     | 27,166    |
| 2019                     | 6,842     |
|                          | \$ 60,380 |

NOTE E. CAPITAL ASSETS

Capital assets at December 31, 2016, consisted of the following:

|  |           |
|--|-----------|
| <u>Property, Equipment &amp; Other Media</u> |           |
| Computers                                    | \$ 10,228 |
| Furniture & Equipment                        | 4,443     |
| Video Series                                 | 15,915    |
| Motion Graphic                               | 5,500     |
| Less: Accumulated Depreciation               | (27,283)  |
| Total Property, Equipment & Other Media      | \$ 8,803  |
| <br><u>Website Development Costs</u>         |           |
| Website Development Costs                    | \$ 19,616 |
| Less: Accumulated Depreciation               | (11,009)  |
| Total Website Development Costs              | \$ 8,607  |

NOTE F. REVOLVING LINE OF CREDIT

The Organization has a \$10,108 revolving line of credit, which was unused at December 31, 2016. Bank advances on the credit line are payable on demand and carried an interest rate of 6.75% per annum. The credit line is secured by substantially all assets of the Organization.

Nonprofit Association of the Midlands  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
For the year ended December 31, 2016

NOTE G. CONTRIBUTED SERVICES AND MATERIALS

Contributed services and materials recognized for the year ended December 31, 2016 was \$2,000.

The Organization received a \$250 discount for nonprofits, from HCC Executive Training for each month between January and August 2016, for a total of \$2,000.

NOTE H. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of December 31, 2016, are available for the following purposes:

|  |                   |
|--|-------------------|
| Time restricted & guideline principles program | \$ 337,850        |
| Time restricted                                | 105,000           |
| Purpose restricted                             | 2,500             |
| Organization website upgrades                  | 11,052            |
| Total temporarily restricted net assets        | <u>\$ 456,402</u> |

NOTE I. CONCENTRATIONS

For the year ended December 31, 2016, the Organization received 32% of its revenues from program income and membership dues, 68% of its income from contributions and grants, and 6% of its income from special events.

NOTE J. ADVERTISING COSTS

The Organization uses advertising to promote its programs among the audiences it serves. Advertising costs are expensed as incurred. Advertising expense for the year ended December 31, 2016, was \$10,727.

Nonprofit Association of the Midlands  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
For the year ended December 31, 2016

NOTE K. RETIREMENT PLAN

The Organization provides retirement benefits for its employees through participation in a multi-employer 403(b) plan.

All employees may contribute to the retirement plan and the Organization matches up to 50% of the first 4% of the employee contribution. The Organization's employer contributions to the plan were \$3,732 for the year ended December 31, 2016.

NOTE L. INCOME TAXES

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. For the year ended December 31, 2016, the Organization had no tax liability on unrelated business activity. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

NOTE M. ALLOCATIONS OF JOINT COSTS

During the year ended December 31, 2016, the Organization incurred joint costs for activities that included program and fundraising components. The Organization allocated \$40,326, to program expense, and \$10,381 to fundraising expense.

NOTE N. SUBSEQUENT EVENTS

As of August 4, 2017, the date the financial statements were available to be issued, the Organization did not have any subsequent events affecting the amounts reported in the financial statements for the year ended December 31, 2016, or which are required to be disclosed in the notes to the financial statements for the year then ended.

SUPPLEMENTAL INFORMATION



Nonprofit Association of the Midlands  
SCHEDULE OF FUNCTIONAL EXPENSES  
For the year ended December 31, 2016  
(With comparative totals for 2015)

| Program Services                           | Supporting Services    |                       |             | Totals    |            |            |
|--|------------------------|-----------------------|-------------|-----------|------------|------------|
|  | Management and General | Membership Activities | Fundraising | 2016      | 2015       |            |
| Salaries and related expenses              | \$ 71,702              | \$ 44,880             | \$ 78,882   | \$ 44,813 | \$ 240,277 | \$ 217,129 |
| Payroll taxes                              | 5,234                  | 2,907                 | 5,605       | 2,928     | 16,674     | 15,508     |
| Employee benefits                          | 4,735                  | 2,902                 | 5,040       | 2,596     | 15,273     | 20,919     |
| Marketing                                  | 313                    | -                     | 65          | -         | 378        | 158        |
| Advertising and promotion                  | 500                    | -                     | 10,207      | 20        | 10,727     | 3,130      |
| Accounting and audits                      | 4,528                  | 24,009                | 12,470      | 2,484     | 43,491     | 28,910     |
| Legal                                      | -                      | 1,893                 | -           | -         | 1,893      | 1,714      |
| Office                                     | 9,011                  | 3,274                 | 16,259      | 3,197     | 31,741     | 45,393     |
| Occupancy                                  | 9,072                  | 5,559                 | 9,657       | 4,974     | 29,262     | 28,869     |
| Equipment rental and maintenance           | 195                    | 120                   | 208         | 107       | 630        | 840        |
| Insurance- business                        | 1,375                  | 843                   | 1,464       | 754       | 4,436      | 4,638      |
| Training                                   | 47,274                 | 26,315                | 34,373      | 5,170     | 113,132    | 78,019     |
| In-Kind donation                           | -                      | 2,000                 | -           | -         | 2,000      | 454        |
| Web development                            | 1,990                  | 1,186                 | 9,020       | 1,061     | 13,257     | 13,702     |
| Other expenses                             | 840                    | 1,701                 | 6,083       | 461       | 9,085      | 5,636      |
| Total expenses before depreciation         | 156,769                | 117,589               | 189,333     | 68,565    | 532,256    | 465,019    |
| Depreciation expense                       | 3,205                  | 1,965                 | 3,412       | 1,758     | 10,340     | 13,408     |
| Total expenses                             | 159,974                | 119,554               | 192,745     | 70,323    | 542,596    | 478,427    |
| Less: direct benefit to donors             | -                      | -                     | -           | (6,302)   | (6,302)    | -          |
| Total expenses per Statement of Activities | \$ 159,974             | \$ 119,554            | \$ 192,745  | \$ 64,021 | \$ 536,294 | \$ 478,427 |

See independent auditor's report.