

GELMAN, ROSENBERG & FREEDMAN

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

June 26, 2002

To the Board of Directors
Maryland Association of Nonprofit Organizations, Inc.
Baltimore, Maryland

The primary purpose of our examination of the financial statements of Maryland Association of Nonprofit Organizations (MANPO) at March 31, 2002, and for the year ended, was to enable us to form an opinion as to the financial position of MANPO at that date and the change in net assets and cash flows for the year then ended. Considering the test character of our examination, you will appreciate that reliance must be placed on adequate methods of internal control as your principal safeguard against irregularities, which a test examination may not disclose. In this letter, we are presenting for your consideration our comments and recommendations on matters and issues, which relate to the system of internal control and which came to our attention during the course of our examination.

We are aware of difficulties in attempting to establish ideal internal control with a limited number of personnel. However, we believe that the recommendations outlined below will afford more effective internal control with a minimum of effort in those areas where the greatest weaknesses exist.

It should be noted that this letter, by its nature, is critical in that it only contains only our comments and recommendations on matters and issues with respect to MANPO's internal control structure, which came to our attention during the course of our audit. It does not include our comments on the many strong features of MANPO's internal control structure also observed.

CURRENT YEAR RECOMMENDATION

Expense Reports

During our review of the Executive Director's expense reports, we noted that they are not signed to indicate review and approval. To improve internal controls, we recommend the Treasurer review and approve the Executive Director's expense reports on a quarterly basis at a minimum.

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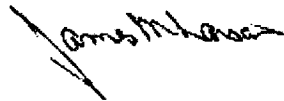
We wish to take this opportunity to express our appreciation for the cooperation extended to us by the management and staff of Maryland Association of Nonprofit Organization, Inc. during the course of our audit. If you desire further information or clarification of any of the points above, please do not hesitate to contact us.

Sincerely,

GELMAN, ROSENBERG & FREEDMAN



Michael A. Freedman
Certified Public Accountant



James Larson
Certified Public Accountant

FINANCIAL STATEMENTS

**MARYLAND ASSOCIATION OF
NONPROFIT ORGANIZATIONS, INC.**

**FOR THE YEAR ENDED MARCH 31, 2002
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2001**

MARYLAND ASSOCIATION OF NONPROFIT ORGANIZATIONS, INC.

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GELMAN, ROSENBERG & FREEDMAN

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Maryland Association of Nonprofit Organizations, Inc.
Baltimore, Maryland

We have audited the accompanying statement of financial position of the Maryland Association of Nonprofit Organizations, Inc. as of March 31, 2002, and the related statements of activities and change in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Maryland Association of Nonprofit Organizations, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Association's 2001 financial statements, which were audited by other auditors, whose report dated June 20, 2001 expressed an unqualified opinion on those financial statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 financial statements referred to above present fairly, in all material respects, the financial position of the Maryland Association of Nonprofit Organizations, Inc. as of March 31, 2002, and its change in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Gelman, Rosenberg & Freedman

June 26, 2002

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MARYLAND ASSOCIATION OF NONPROFIT ORGANIZATIONS, INC.

STATEMENT OF FINANCIAL POSITION
AS OF MARCH 31, 2002
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2001

	<u>2002</u>	<u>2001</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 193,527	\$ 79,497
Short-term investments	575,056	420,342
Accounts receivable	283,267	182,029
Security deposit and prepaid expenses	24,768	56,683
Total current assets	<u>1,076,618</u>	<u>738,551</u>
FURNITURE AND EQUIPMENT		
Furniture and equipment at cost, net of accumulated depreciation of \$209,328 in 2002 and \$142,855 in 2001 (Note 3)	<u>221,837</u>	<u>57,426</u>
TOTAL ASSETS	<u>\$1,298,455</u>	<u>\$795,977</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 116,321	\$ 67,554
Deferred revenue	36,670	39,247
Deferred membership dues	212,671	188,381
Total current liabilities	<u>365,662</u>	<u>295,182</u>
NET ASSETS		
Unrestricted	191,316	146,094
Temporarily restricted (Note 2)	741,477	354,701
Total net assets	<u>932,793</u>	<u>500,795</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$1,298,455</u>	<u>\$795,977</u>

See accompanying notes to financial statements.

MARYLAND ASSOCIATION OF NONPROFIT ORGANIZATIONS, INC.

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2002
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2001**

	2002			2001
	Unrestricted	Temporarily Restricted	Total	Total
REVENUE				
Membership dues	\$ 562,852	\$ -	\$ 562,852	\$ 472,025
Grants and contributions	388,337	1,710,833	2,099,170	977,658
Member services	626,919	-	626,919	360,542
Investment income	25,817	-	25,817	25,523
Net assets released from restrictions:				
Satisfaction of donor imposed restrictions (Note 2)	1,324,057	(1,324,057)	-	-
Total revenue	<u>2,927,982</u>	<u>386,776</u>	<u>3,314,758</u>	<u>1,835,748</u>
EXPENSES				
Personnel	1,445,536	-	1,445,536	1,099,884
Communications	132,197	-	132,197	113,784
Occupancy	108,064	-	108,064	91,430
Member services	260,567	-	260,567	267,609
All other	936,396	-	936,396	310,032
Total expenses	<u>2,882,760</u>	<u>-</u>	<u>2,882,760</u>	<u>1,882,739</u>
Change in net assets	45,222	386,776	431,998	(46,991)
Net assets at beginning of year	146,094	354,701	500,795	547,786
NET ASSETS AT END OF YEAR	<u>\$ 191,316</u>	<u>\$ 741,477</u>	<u>\$ 932,793</u>	<u>\$ 500,795</u>

See accompanying notes to financial statements.

MARYLAND ASSOCIATION OF NONPROFIT ORGANIZATIONS, INC.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2002
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2001**

	<u>2002</u>	<u>2001</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 431,998	\$ (46,991)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	104,747	36,491
(Increase) decrease in:		
Accounts receivable	(101,238)	8,733
Prepaid expenses and other assets	31,915	(38,908)
Increase (decrease) in:		
Accounts payable and accrued expenses	48,767	26,124
Deferred revenue	(2,577)	25,350
Deferred membership dues	24,290	46,221
Net cash provided by operating activities	<u>537,902</u>	<u>57,020</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of furniture and equipment	(269,158)	(38,744)
Purchase of investments	<u>(154,714)</u>	<u>(130,516)</u>
Net cash used by investing activities	<u>(423,872)</u>	<u>(169,260)</u>
Net increase (decrease) in cash and cash equivalents	114,030	(112,240)
Cash and cash equivalents at beginning of year	<u>79,497</u>	<u>191,737</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 193,527</u>	<u>\$ 79,497</u>

See accompanying notes to financial statements.

MARYLAND ASSOCIATION OF NONPROFIT ORGANIZATIONS, INC.

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization –

The Maryland Association of Nonprofit Organizations, Inc. (Maryland Nonprofits) is a statewide association of nonprofit organizations. Membership in Maryland Nonprofits is open to any organization which is exempt from taxation under Section 501(c) of the Internal Revenue Code.

Maryland Nonprofits was incorporated in September 1991 and was granted tax-exempt status by the Internal Revenue Service in April 1992. The mission of Maryland Nonprofits' is to strengthen and support the ability of nonprofit organizations to serve the community, and to enhance public understanding of, confidence in, and support for the nonprofit sector.

Basis of presentation –

The accompanying financial statements have been prepared on the accrual basis of accounting and in accordance with Statements of Financial Accounting Standard (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations".

Cash and cash equivalents –

Cash and cash equivalents include short-term investments with original maturities of less than three months.

Short-term investments –

Short-term investments are recorded at cost and consist of certificates of deposit which mature within one year.

Depreciation –

Depreciation is recorded on the straight-line basis. Property, plant and equipment are recorded at cost. Donated assets are recorded at fair value at the time of the gift.

Membership dues –

Membership dues are recorded as deferred membership fees when received and credited to income each month as revenue is earned.

Contributions pledged –

Contributions pledged are recorded as revenue when the pledge is made by the prospective donor. Such contributions are classified based upon the restrictions, if any, placed by the donor. An allowance for uncollectible pledges receivable is estimated on an annual basis, if considered significant. If restricted contributions are received and all restrictions are met in the current year, the revenue and expenses incurred are recognized in the unrestricted fund.

Use of estimates –

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 that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

MARYLAND ASSOCIATION OF NONPROFIT ORGANIZATIONS, INC.

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2002

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**
(Continued)

Summarized financial information –

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 March 31, 2001, from which the summarized information was derived.

2. **TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets at March 31, 2002 consisted of the following:

Ethics	\$427,882
Management Innovation	124,422
Executive Transition	26,809
Consulting Services	62,946
State Fiscal Analysis	20,565
Weinberg Fellows	23,853
Advocacy Leaders	55,000
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	\$741,477

During the fiscal year ended March 31, 2002, temporarily restricted net assets released from restriction due to the satisfaction of donor restrictions were as follows:

Ethics	\$ 705,451
Management Innovation	52,264
Executive Transition	148,206
Consulting Services	17,054
State Fiscal Analysis	171,935
Weinberg Fellows	54,147
Advocacy Leaders	175,000
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	\$1,324,057

3. **FURNITURE AND EQUIPMENT**

Furniture, fixtures and software at March 31, 2002 consisted of the following:

Furniture and fixtures – Baltimore	\$264,909
Furniture and fixtures – Silver Spring	39,272
Software	126,984
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	431,165
Less: Accumulated depreciation	209,328
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	\$221,837

MARYLAND ASSOCIATION OF NONPROFIT ORGANIZATIONS, INC.

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2002**

4. LEASES

Maryland Nonprofits leases space for its corporate office and its Silver Spring office, which will expire January 15, 2011 and January 31, 2004, respectively. The lease agreements are classified as operating leases for financial reporting. Rent expense for the year ended March 31, 2002 was \$108,064. Future minimum obligations for the lease are:

2003	\$123,035
2004	121,101
2005	89,400
2006	93,600
2007	97,800
2008 and Thereafter	<u>357,600</u>
	<u>\$882,536</u>

5. PENSION PLAN

Maryland Nonprofits has established an IRC Section 403(b) defined contribution pension plan covering substantially all employees. Pension expense for the year ended March 31, 2002 was approximately \$51,935.

6. CONCENTRATION OF CREDIT RISK

At times during the year, Maryland Nonprofits maintains cash balances at financial institutions in excess of Federal Deposit Insurance Corporation (FDIC) insurance limits. Management believes the risk in these situations to be minimal.

SUPPLEMENTAL FINANCIAL INFORMATION

GELMAN, ROSENBERG & FREEDMAN

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

SUPPLEMENTAL FINANCIAL INFORMATION

To the Board of Directors
Maryland Association of Nonprofit Organizations, Inc.
Baltimore, Maryland

Our report on our audit of the basic financial statements of the Maryland Association of Nonprofit Organizations, Inc. for the year ended March 31, 2002 appears on page two. That audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information included in Schedule 1 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



June 26, 2002

MARYLAND ASSOCIATION OF NONPROFIT ORGANIZATIONS, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MARCH 31, 2002
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2001**

	2002			2001	
	Program	Management	Fundraising	Total	Total
Grants and allocations	\$ 238,272	\$ -	\$ -	\$ 238,272	\$ 48,375
Salaries and wages	932,680	162,251	48,237	1,143,168	880,912
Pension plan contribution	41,964	7,686	2,285	51,935	41,241
Other employee benefits	125,969	22,819	6,784	155,572	109,522
Payroll taxes	72,615	12,644	3,759	89,018	67,968
Accounting fees	-	4,664	-	4,664	4,971
Professional fees	471,196	819	-	472,015	177,261
Supplies	25,510	3,730	1,109	30,349	20,007
Telephone	45,060	7,534	2,240	54,834	51,422
Postage and shipping	70,334	3,515	3,515	77,364	62,361
Occupancy	95,548	9,648	2,868	108,064	91,430
Equipment rental and maintenance	37,826	1,778	1,778	41,382	36,033
Printing and publications	122,136	3,059	3,059	128,254	110,270
Travel	28,987	2,156	641	31,784	24,981
Conferences and convention	128,839	-	-	128,839	116,268
Miscellaneous	1,776	20,723	-	22,499	3,226
Depreciation	85,342	14,958	4,447	104,747	36,491
TOTAL EXPENSES	\$2,524,054	\$277,984	\$80,722	\$2,882,760	\$1,882,739