

GELMAN, ROSENBERG & FREEDMAN

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

July 7, 2004

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

We have audited the financial statements of the Maryland Association of Nonprofit Organizations, Inc. (MANPO) for the year ended March 31, 2004 and have issued our report thereon dated July 7, 2004. Professional standards require that we provide you with the following information related to our audit.

- **Auditors' responsibility under auditing standards generally accepted in the United States of America**

As stated in our engagement letter dated May 27, 2004, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement. Because an audit is designed to provide reasonable, but not absolute, assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

In planning and performing our audit, we considered MANPO's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

- **Significant accounting policies**

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by MANPO are described in Note 1 to the financial statements.

We noted no transactions entered into by MANPO during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

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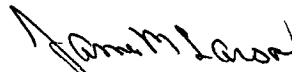
- **Management judgments and accounting estimates**
Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.
 - **Significant audit adjustments**
We proposed and posted one audit adjustment which increased net assets by approximately \$1,100. All post-closing adjustments were made by management.
 - **Passed audit adjustments**
We did not have any adjustments which we considered to be immaterial.
 - **Disagreements with management on accounting or financial reporting matters**
For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.
 - **Auditors' responsibility toward other information in documents containing audited financial statements**
Our responsibility for other information in documents containing MANPO's audited financial statements and report does not extend beyond the financial information identified in the report. In addition, we do not have an obligation to perform any procedures to corroborate other information contained in these documents.
- Major issues discussed with management prior to retention**
- We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as MANPO's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.
- **Management's consultation with other accountants**
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to MANPO's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

- **Non-audit services provided by audit firm**
During the year under audit, we reviewed various issues related to addressing tax related questions. We did not perform any other non-audit services.
- **Difficulties encountered in performing the audit**
There were no technical difficulties encountered during the course of our audit.

Should you have any questions or require any additional information concerning the above items, please do not hesitate to contact me.

Sincerely,

GELMAN, ROSENBERG & FREEDMAN



James M. Larson
Certified Public Accountant

GELMAN, ROSENBERG & FREEDMAN

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

July 7, 2004

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

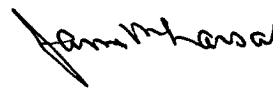
Ladies and Gentlemen:

The primary purpose of our examination of the financial statements of the Maryland Association of Nonprofit Organizations, Inc. (MANPO) as of March 31, 2004 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. Based on our review of MANPO's internal controls, we believe the present system is appropriate. We did not note any material weaknesses in MANPO's internal controls during our audit.

We again appreciate the cooperation and efforts made by the management and staff of the Maryland Association of Nonprofit Organizations, Inc. in assisting us with our annual audit. Through their diligence and attention to detail, the burdens and disruptions caused by the year-end audit were again kept to a minimum.

Sincerely,

GELMAN, ROSENBERG & FREEDMAN



James M. Larson
Certified Public Accountant

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FINANCIAL STATEMENTS

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

**FOR THE YEAR ENDED MARCH 31, 2004
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2003**

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, 2004, 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 2003 financial statements, and in our report dated June 24, 2003, we 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, 2004, 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.



July 7, 2004

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MARYLAND ASSOCIATION OF NONPROFIT ORGANIZATIONS, INC.

STATEMENT OF FINANCIAL POSITION
AS OF MARCH 31, 2004
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2003

ASSETS	<u>2004</u>	<u>2003</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 423,523	\$ 151,129
Short-term investments	327,999	498,810
Accounts receivable	254,524	320,718
Security deposit and prepaid expenses	<u>66,624</u>	<u>50,518</u>
Total current assets	<u>1,072,670</u>	<u>1,021,175</u>
FURNITURE AND EQUIPMENT		
Furniture and equipment at cost, net of accumulated depreciation of \$430,570 in 2004 and \$348,394 in 2003 (Note 2)	<u>140,066</u>	<u>202,995</u>
TOTAL ASSETS	<u>\$1,212,736</u>	<u>\$1,224,170</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 226,555	\$ 96,013
Deferred revenue	47,213	3,925
Deferred membership dues	<u>280,940</u>	<u>234,097</u>
Total current liabilities	<u>554,708</u>	<u>334,035</u>
NET ASSETS		
Unrestricted:		
Board designated (Note 3)	40,000	40,000
Undesignated	<u>192,493</u>	<u>156,557</u>
Total unrestricted	232,493	196,557
Temporarily restricted (Note 4)	<u>425,535</u>	<u>693,578</u>
Total net assets	<u>658,028</u>	<u>890,135</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$1,212,736</u>	<u>\$1,224,170</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, 2004
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2003**

	2004			2003
	Unrestricted	Temporarily Restricted	Total	Total
REVENUE				
Membership dues	\$ 699,844	\$ -	\$ 699,844	\$ 645,084
Grants and contributions	1,516,591	86,099	1,602,690	1,878,203
Member services	721,843	-	721,843	754,737
Investment income	5,176	-	5,176	25,669
Net assets released from restrictions:				
Satisfaction of donor imposed restrictions (Note 4)	354,142	(354,142)	-	-
Total revenue	<u>3,297,596</u>	<u>(268,043)</u>	<u>3,029,553</u>	<u>3,303,693</u>
EXPENSES				
Personnel	2,029,878	-	2,029,878	1,817,664
Communications	139,743	-	139,743	131,204
Occupancy	157,500	-	157,500	150,284
Member services	303,381	-	303,381	326,917
All other	631,158	-	631,158	920,282
Total expenses	<u>3,261,660</u>	<u>-</u>	<u>3,261,660</u>	<u>3,346,351</u>
Change in net assets	35,936	(268,043)	(232,107)	(42,658)
Net assets at beginning of year	196,557	693,578	890,135	932,793
NET ASSETS AT END OF YEAR	<u>\$ 232,493</u>	<u>\$ 425,535</u>	<u>\$ 658,028</u>	<u>\$ 890,135</u>

See accompanying notes to financial statements.

MARYLAND ASSOCIATION OF NONPROFIT ORGANIZATIONS, INC.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2004
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2003**

	<u>2004</u>	<u>2003</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$(232,107)	\$ (42,658)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	133,623	139,066
(Increase) decrease in:		
Accounts receivable	66,194	(37,451)
Security deposit and prepaid expenses	(16,106)	(25,750)
Increase (decrease) in:		
Accounts payable and accrued expenses	130,542	(20,308)
Deferred revenue	43,288	(32,745)
Deferred membership dues	46,843	21,426
Net cash provided by operating activities	<u>172,277</u>	<u>1,580</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of furniture and equipment	(70,694)	(120,224)
Sale of investments	<u>170,811</u>	<u>76,246</u>
Net cash provided (used) by investing activities	<u>100,117</u>	<u>(43,978)</u>
Net increase (decrease) in cash and cash equivalents	272,394	(42,398)
Cash and cash equivalents at beginning of year	<u>151,129</u>	<u>193,527</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 423,523</u>	<u>\$ 151,129</u>

See accompanying notes to financial statements.

MARYLAND ASSOCIATION OF NONPROFIT ORGANIZATIONS, INC.

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

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 Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations".

Net asset classification –

The net assets are reported in two self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of Maryland Nonprofits and include both internally designated and undesignated resources.
- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of Maryland Nonprofits and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Change in Net Assets as net assets released from restrictions.

Cash and cash equivalents –

Cash and cash equivalents includes cash held in local financial institutions.

Short-term investments –

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

Depreciation –

Depreciation is recorded on the straight-line basis. Furniture 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.

MARYLAND ASSOCIATION OF NONPROFIT ORGANIZATIONS, INC.

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

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

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.

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, 2003, from which the summarized information was derived.

2. **FURNITURE AND EQUIPMENT**

Furniture, fixtures and software at March 31, 2004 consisted of the following:

Furniture and fixtures – Baltimore	\$ 285,658
Furniture and fixtures – Silver Spring	30,671
Software	<u>254,307</u>
	570,636
Less: Accumulated depreciation	<u>(430,570)</u>
	<u>\$ 140,066</u>

3. **BOARD DESIGNATED NET ASSETS**

During 2003, the Board of Directors of the Maryland Association of Nonprofit Organizations, Inc. established a Board Designated Net Assets Fund for future contingencies in the amount of \$40,000.

MARYLAND ASSOCIATION OF NONPROFIT ORGANIZATIONS, INC.

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

4. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at March 31, 2004 consisted of the following:

Ethics	\$179,229
Management Innovation	46,404
Executive Transition	15,399
State Fiscal Analysis	35,985
Advocacy Leaders	67,557
Mid-Level Management Development	5,000
Casey Awards Program	75,961
	<hr/>
	\$425,535

During the fiscal year ended March 31, 2004, temporarily restricted net assets released from restriction due to the satisfaction of donor restrictions were as follows:

Ethics	\$ 77,149
Management Innovation	25,181
Executive Transition	3,334
Consulting Services	20,297
State Fiscal Analysis	136,004
Advocacy Leaders	50,000
Capacity Building	27,500
Mid-Level Management Development	10,000
Casey Awards Program	4,677
	<hr/>
	\$354,142

5. LEASES

Maryland Nonprofits leases space for its corporate office which will expire January 15, 2011. The lease agreement is classified as an operating lease for financial reporting. Rent expense for the year ended March 31, 2004 was \$138,681. Future minimum obligations for the lease are as follows:

2005	\$ 89,400
2006	93,600
2007	97,800
2008	102,000
2009	106,200
2010 and Thereafter	149,400
	<hr/>
	\$638,400

6. 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, 2004 was approximately \$70,311.

MARYLAND ASSOCIATION OF NONPROFIT ORGANIZATIONS, INC.

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004**

7. 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

INDEPENDENT AUDITORS' REPORT ON 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, 2004 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.



July 7, 2004

MARYLAND ASSOCIATION OF NONPROFIT ORGANIZATIONS, INC.

**SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MARCH 31, 2004
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2003**

	2004			2003	
	Program	Management	Fundraising	Total	
Grants and allocations	\$ 53,850	\$ -	\$ -	\$ 53,850	\$ 210,000
Salaries and wages	1,421,630	148,109	80,787	1,650,526	1,464,030
Pension plan contribution	59,553	6,961	3,797	70,311	60,350
Other employee benefits	153,736	17,946	9,789	181,471	170,023
Payroll taxes	109,013	11,361	6,197	126,571	110,995
Accounting fees	-	8,213	-	8,213	6,947
Professional fees	277,084	1,667	-	278,751	458,535
Supplies	19,783	2,312	1,261	23,356	28,423
Telephone	39,114	4,572	2,494	46,180	56,823
Postage and shipping	84,207	4,678	4,678	93,563	74,381
Occupancy	133,402	15,592	8,505	157,499	150,284
Equipment rental and maintenance	45,705	2,539	2,539	50,783	44,722
Printing and publications	176,577	6,035	6,035	188,647	153,656
Travel	36,259	2,222	1,212	39,693	47,806
Conferences and convention	149,473	-	-	149,473	181,519
Miscellaneous	-	9,150	-	9,150	(11,209)
Depreciation	113,179	6,964	13,480	133,623	139,066
TOTAL EXPENSES	\$2,872,565	\$248,321	\$140,774	\$3,261,660	\$3,346,351