

**FINANCIAL STATEMENTS**

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

**FOR THE YEAR ENDED MARCH 31, 2006  
WITH SUMMARIZED FINANCIAL  
INFORMATION FOR 2005 AND 2004**

MARYLAND ASSOCIATION OF NONPROFIT ORGANIZATIONS, INC.

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GELMAN, ROSENBERG & FREEDMAN  
CERTIFIED PUBLIC ACCOUNTANTS

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, 2006, 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 2005 and 2004 financial statements, and in our reports dated July 14, 2005 and July 7, 2004 respectively, 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, 2006, 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 29, 2006

4550 MONTGOMERY AVENUE, SUITE 650 NORTH, BETHESDA, MARYLAND 20814  
(301) 951-9090 • Fax (301) 951-3570 • [WWW.GRFCPA.COM](http://WWW.GRFCPA.COM)

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**MARYLAND ASSOCIATION OF NONPROFIT ORGANIZATIONS, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**AS OF MARCH 31, 2006**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2005 AND 2004**

<b>ASSETS</b>			
	<b>2006</b>	<b>2005</b>	<b>2004</b>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents (Note 2)	\$ 122,099	\$ 117,677	\$ 423,523
Short-term investments (Note 3)	174,263	256,383	327,999
Grants receivable	500,000	40,000	60,000
Accounts receivable	136,643	122,701	194,524
Security deposit and prepaid expenses	99,713	80,632	66,624
Total current assets	1,032,718	617,393	1,072,670
<b>FURNITURE AND EQUIPMENT</b>			
Furniture and equipment at cost, net of accumulated depreciation of \$611,931 in 2006, \$556,134 in 2005 and \$430,570 in 2004 (Note 4)	63,528	107,274	140,066
<b>TOTAL ASSETS</b>	<b>\$1,096,246</b>	<b>\$ 724,667</b>	<b>\$1,212,736</b>
<b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable and accrued expenses	\$ 181,993	\$ 196,481	\$ 226,555
Deferred revenue	42,680	21,722	47,213
Deferred membership dues	338,559	305,238	280,940
Total current liabilities	563,232	523,441	554,708
<b>NET ASSETS</b>			
Unrestricted:			
Board designated (Note 5)	40,000	40,000	40,000
Undesignated	98,014	136,226	192,493
Total unrestricted	138,014	176,226	232,493
Temporarily restricted (Note 6)	395,000	25,000	425,535
Total net assets	533,014	201,226	658,028
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$1,096,246</b>	<b>\$ 724,667</b>	<b>\$1,212,736</b>

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, 2006**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2005 AND 2004**

	2006			2005	2004
	Unrestricted	Temporarily Restricted	Total	Total	Total
<b>REVENUE</b>					
Membership dues	\$ 825,684	\$ -	\$ 825,684	\$ 760,311	\$ 699,844
Grants and contributions	1,102,177	395,000	1,497,177	953,487	1,602,690
Member services	853,107	-	853,107	1,081,435	721,843
Investment income (Note 3)	7,898	-	7,898	4,240	5,176
Net assets released from restrictions:					
Satisfaction of donor imposed restrictions (Note 6)	25,000	(25,000)	-	-	-
Total revenue	2,813,866	370,000	3,183,866	2,799,473	3,029,553
<b>EXPENSES</b>					
Personnel	1,834,330	-	1,834,330	1,998,227	2,029,878
Communications	126,656	-	126,656	134,737	139,743
Occupancy	173,036	-	173,036	159,618	157,500
Member services	262,733	-	262,733	317,239	303,381
All other	455,323	-	455,323	646,454	631,158
Total expenses	2,852,078	-	2,852,078	3,256,275	3,261,660
Change in net assets	(38,212)	370,000	331,778	(456,802)	(232,107)
Net assets at beginning of year	176,226	25,000	201,226	658,028	890,135
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 138,014</b>	<b>\$ 395,000</b>	<b>\$ 533,014</b>	<b>\$ 201,226</b>	<b>\$ 658,028</b>

See accompanying notes to financial statements.

## MARYLAND ASSOCIATION OF NONPROFIT ORGANIZATIONS, INC.

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED MARCH 31, 2006**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2005 AND 2004**

	<u>2006</u>	<u>2005</u>	<u>2004</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Change in net assets	\$ 331,778	\$(456,802)	\$(232,107)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:			
Realized (gain) loss on investments	(107)	-	-
Unrealized (gain) loss on investments	(492)	-	-
Depreciation	83,211	125,563	133,623
(Increase) decrease in:			
Grants receivable	(460,000)	20,000	100,000
Accounts receivable	(13,942)	71,823	33,806
Security deposit and prepaid expenses	(19,081)	(14,008)	(16,106)
Increase (decrease) in:			
Accounts payable and accrued expenses	(14,489)	(30,074)	130,542
Deferred revenue	20,958	(25,491)	43,288
Deferred membership dues	33,321	24,298	46,843
Net cash provided (used) by operating activities	<u>(38,833)</u>	<u>(284,691)</u>	<u>172,277</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of furniture and equipment	(39,465)	(92,771)	(70,694)
Net purchase and sales of investments	<u>82,720</u>	<u>71,616</u>	<u>170,811</u>
Net cash provided (used) by investing activities	<u>43,255</u>	<u>(21,155)</u>	<u>100,117</u>
Net increase (decrease) in cash and cash equivalents	4,422	(305,846)	272,394
Cash and cash equivalents at beginning of year	<u>117,677</u>	<u>423,523</u>	<u>151,129</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u><b>\$ 122,099</b></u>	<u><b>\$ 117,677</b></u>	<u><b>\$ 423,523</b></u>

See accompanying notes to financial statements.

MARYLAND ASSOCIATION OF NONPROFIT ORGANIZATIONS, INC.

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

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 who pay the dues established by the Corporation and are approved for membership by the Board of Directors.

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 include 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. Maryland Nonprofits has established a capitalization policy of \$500.

MARYLAND ASSOCIATION OF NONPROFIT ORGANIZATIONS, INC.

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

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

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.

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 years ended March 31, 2005 and 2004, from which the summarized information was derived.

2. 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.

3. INVESTMENTS

Investments at March 31, 2006 consisted of the following:

Money Funds	<u>\$ 174,263</u>
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Investment income at March 31, 2006 consisted of the following:

Interest and dividends	\$ 7,299
Unrealized gain	492
Realized gain	<u>107</u>
	<u>\$ 7,898</u>

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

**NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006**

**4. FURNITURE AND EQUIPMENT**

Furniture, fixtures and software at March 31, 2006 consisted of the following:

Furniture and fixtures – Baltimore	\$ 291,358
Furniture and fixtures – Silver Spring	33,921
Software	<u>350,180</u>
	675,459
Less: Accumulated depreciation	<u>(611,931)</u>
	<u><b>\$ 63,528</b></u>

**5. BOARD DESIGNATED NET ASSETS**

During 2004, 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.

**6. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets at March 31, 2006 consisted of the following:

Ethics-National	\$ 250,000
Maryland-Tax Policy	<u>145,000</u>
	<u><b>\$ 395,000</b></u>

During the fiscal year ended March 31, 2006, temporarily restricted net assets released from restriction due to the satisfaction of donor restrictions were as follows:

<b>Ethics</b>	<u><b>\$ 25,000</b></u>
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**7. 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, 2006 was \$138,681. Future minimum obligations for the lease are as follows:

2007	\$ 150,283
2008	156,005
2009	152,079
2010	110,950
2011	115,150
2012 and thereafter	<u>68,600</u>
	<u><b>\$ 753,067</b></u>

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

**NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006**

**8. 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, 2006 was approximately \$66,837.

**9. LINE OF CREDIT**

Maryland Nonprofits has established a line of credit of \$150,000 with a local financial institution to be used for temporarily cash flow purposes. The Finance Committee is to be informed of any borrowings, the reason for the borrowings, the status of the loan, and the repayment plan. As of March 31, 2006, there were no borrowings against the line of credit.

**10. RELATED PARTY**

Maryland Nonprofits established a for-profit organization to help nonprofit organizations in Maryland operate more cost effectively by offering a variety of cooperative buying programs that enable even the smallest nonprofit to access a range of benefits generally only available to larger groups. Maryland Nonprofits has one common board member with the related party. There was no financial activity during the year ended March 31, 2006.

**SUPPLEMENTAL FINANCIAL INFORMATION**



GELMAN, ROSENBERG & FREEDMAN  
CERTIFIED PUBLIC ACCOUNTANTS

**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, 2006 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.

*Gelman Rosenberg & Freedman*

June 29, 2006

4550 MONTGOMERY AVENUE, SUITE 650 NORTH, BETHESDA, MARYLAND 20814  
(301) 951-9090 • FAX (301) 951-3570 • [WWW.GRF CPA.COM](http://WWW.GRF CPA.COM)

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SCHEDULE 1

MARYLAND ASSOCIATION OF NONPROFIT ORGANIZATIONS, INC.

SCHEDULE OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED MARCH 31, 2006  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2005 AND 2004

	2006			2005	2004	
	Program	Management	Fundraising	Total	Total	
Grants	\$ -	\$ -	\$ -	\$ -	\$ 49,950	\$ 53,850
Salaries and wages	1,243,365	154,360	65,143	1,462,868	1,596,323	1,650,526
Pension plan contribution	56,477	7,285	3,074	66,836	70,472	70,311
Other employee benefits	135,404	17,226	7,270	159,900	185,794	181,471
Payroll taxes	98,966	12,305	5,193	116,464	130,636	126,571
Accounting fees	-	11,576	-	11,576	9,139	8,213
Professional fees	170,335	15,215	30,000	215,550	301,189	278,751
Supplies	14,382	1,855	783	17,020	20,211	23,356
Telephone	35,786	4,616	1,948	42,350	47,754	46,180
Postage and shipping	75,875	4,215	4,215	84,305	86,984	93,563
Occupancy	146,215	18,861	7,960	173,036	159,618	157,499
Equipment rental and maintenance	41,924	2,329	2,329	46,582	54,896	50,783
Printing and publications	186,981	5,012	5,012	197,005	183,626	188,647
Travel	30,095	2,643	1,115	33,853	34,558	39,693
Conferences and convention	134,984	-	-	134,984	193,782	149,473
Miscellaneous	-	6,538	-	6,538	5,780	9,150
Depreciation	70,314	9,070	3,827	83,211	125,563	133,623
<b>TOTAL EXPENSES</b>	<b>\$ 2,441,103</b>	<b>\$ 273,106</b>	<b>\$ 137,869</b>	<b>\$2,852,078</b>	<b>\$3,256,275</b>	<b>\$3,261,660</b>