

**Nonprofit Association of the Midlands
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
For the year ended December 31, 2013**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Nonprofit Association of the Midlands.

We have audited the accompanying financial statements of Nonprofit Association of the Midlands (the Organization), which comprise the statement of financial position as of December 31, 2013, 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, 2013, the changes in its net assets, its functional expenses, 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 15 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 2012 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 10, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Hayes & Associates
Omaha, NE
July 18, 2014

Nonprofit Association of the Midlands
STATEMENT OF FINANCIAL POSITION
December 31, 2013
(With comparative totals for 2012)

	2013	2012
ASSETS		
Cash and cash equivalents	\$ 91,266	\$ 110,378
Accounts receivable	11,351	1,905
Prepaid expenses	9,256	7,589
Promises to give	110,000	220,000
Property, equipment & other media, net of accumulated depreciation of \$8,015 and \$5,600, respectively	14,536	5,700
Website development costs, net of accumulated depreciation of \$2,734 and \$0, respectively	6,887	8,000
Total assets	\$ 243,296	\$ 353,572
LIABILITIES		
Accounts payable	\$ 14,722	\$ 10,543
Payroll liabilities	15,463	8,023
Deferred revenues	50,555	41,392
Total liabilities	80,740	59,958
NET ASSETS		
Unrestricted (deficit)	(12,186)	14,092
Temporarily restricted	174,742	279,522
Total net assets	162,556	293,614
Total liabilities and net assets	\$ 243,296	\$ 353,572

See accompanying notes and independent auditor's report.

Nonprofit Association of the Midlands
STATEMENT OF ACTIVITIES
For the year ended December 31, 2013
(With comparative totals for 2012)

	Unrestricted	Temporarily Restricted	2013	2012
SUPPORT, REVENUE, AND RECLASSIFICATIONS				
Grants	\$ 62,000	\$ -	\$ 62,000	\$ 200,740
Program income	53,415	-	53,415	46,500
Membership dues	90,370	-	90,370	87,530
Contributions	70,076	-	70,076	72,103
Interest income	33	-	33	36
Other revenues	3,684	-	3,684	2,224
Net assets released from restrictions	104,780	(104,780)	-	-
Total support, revenue, and reclassifications	<u>384,358</u>	<u>(104,780)</u>	<u>279,578</u>	<u>409,133</u>
EXPENSES				
Program services	112,053	-	112,053	93,048
Supporting services				
Management and general	88,045	-	88,045	80,006
Membership activities	141,983	-	141,983	115,877
Fundraising	<u>68,554</u>	<u>-</u>	<u>68,554</u>	<u>112,645</u>
Total supporting services	<u>298,582</u>	<u>-</u>	<u>298,582</u>	<u>308,528</u>
Total expenses	<u>410,636</u>	<u>-</u>	<u>410,636</u>	<u>401,576</u>
CHANGE IN NET ASSETS	(26,278)	(104,780)	(131,058)	7,557
NET ASSETS, BEGINNING OF PERIOD	<u>14,092</u>	<u>279,522</u>	<u>293,614</u>	<u>286,057</u>
NET ASSETS, END OF PERIOD	<u>\$ (12,186)</u>	<u>\$ 174,742</u>	<u>\$ 162,556</u>	<u>\$ 293,614</u>

See accompanying notes and independent auditor's report.

Nonprofit Association of the Midlands
STATEMENT OF CASH FLOWS
For the year ended December 31, 2013
(With comparative totals for 2012)

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (131,058)	\$ 7,557
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	6,448	2,242
Non-cash contributions	(5,400)	-
Change in accounts receivable	(9,446)	(1,905)
Change in promise to give	110,000	35,000
Change in prepaid expenses	(1,667)	(2,518)
Change in accounts payable	4,179	1,933
Change in payroll liabilities	7,440	4,820
Change in deferred revenues	9,163	15,248
NET CASH FROM OPERATING ACTIVITIES	(10,341)	62,377
CASH FLOWS FROM INVESTING ACTIVITIES		
Capitalized website development costs	(1,621)	(8,000)
Purchase of property, equipment & other media	(7,150)	(3,133)
NET CASH FROM INVESTING ACTIVITIES	(8,771)	(11,133)
CHANGE IN CASH AND CASH EQUIVALENTS	(19,112)	51,244
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	110,378	59,134
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 91,266	\$ 110,378

See accompanying notes and independent auditor's report.

Nonprofit Association of the Midlands
NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2013

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, 2013

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, 2013, the Organization had no permanently restricted net assets.

4. Comparative Data

The amounts shown for the year ended December 31, 2012, in the accompanying financial statements are included to provide a basis for comparison with 2013 and present summarized totals only. Accordingly, the 2012 totals are not intended to present all information necessary for a fair presentation in conformity with accounting principles generally accepted in the United States of America. Such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2012, 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, 2013

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, 2013

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. Expense Allocation

Some costs of providing various programs and other activities have been summarized as general and administrative expenses. Accordingly, certain costs have not 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.

Nonprofit Association of the Midlands's federal information return of Organizations Exempt from Income Tax Return (Form 990) for 2012, 2011, and 2010 are subject to examination by the IRS, generally for three years after they were filed.

NOTE B. CASH AND CREDIT RISK

Nonprofit Association of the Midlands maintains its cash in bank deposit accounts, which at times, may exceed federally insured limits. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC insured) up to \$250,000.

Nonprofit Association of the Midlands
NOTES TO FINANCIAL STATEMENTS - CONTINUED
For the year ended December 31, 2013

NOTE B. CASH AND CREDIT RISK - CONTINUED

Nonprofit Association of the Midlands has not experienced any loss in such accounts. As of December 31, 2013, Nonprofit Association of the Midlands had no deposits in excess of FDIC insured limits.

NOTE C. PROMISES TO GIVE

Promises to give of \$110,000 are expected to be received within one year.

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 monthly rent is as follows:

Period	Rent
April 1, 2011, to March 31, 2012	\$ 1,829
April 1, 2012, to March 31, 2013	1,861
April 1, 2013, to March 31, 2014	1,861
April 1, 2014, to March 31, 2016	2,085

Total rent paid during the year ended December 31, 2013 was \$22,330. Future minimum lease payments are as follows:

Year ending December 31,	
2014	\$ 24,351
2015	25,025
2016	6,256
	\$ 55,632

Nonprofit Association of the Midlands
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 For the year ended December 31, 2013

NOTE E. CAPITAL ASSETS

Fixed assets at December 31, 2013, consisted of the following:

<u>Property, Equipment & Other Media</u>	
Computers	\$ 5,558
Furniture & Equipment	4,443
Video Series	8,550
Motion Graphic	4,000
Less: Accumulated Depreciation	<u>(8,015)</u>
Total Property, Equipment & Other Media	<u><u>\$ 14,536</u></u>
 <u>Website Development Costs</u>	
Website Development Costs	\$ 9,621
Less: Accumulated Depreciation	<u>(2,734)</u>
Total Website Development Costs	<u><u>\$ 6,887</u></u>

NOTE F. REVOLVING LINE OF CREDIT

The Organization has a \$10,000 revolving line of credit, which was unused at December 31, 2013. Bank advances on the credit line are payable on demand and carried an interest rate of 5.25% per annum. The credit line is secured by substantially all assets of the Organization.

NOTE G. CONTRIBUTED SERVICES AND MATERIALS

Contributed services and materials recognized for the year ended December 31, 2013 was \$12,004.

The Organization received contributed services for production and delivery of the NAM video series during the year ended December 31, 2013, with a fair value on the dates of donation of \$5,400.

The Organization received contributed services from the Mutual of Omaha for marketing and brand re-fresh during the year ended December 31, 2013, with a fair value on the dates of donation of \$6,176.

Nonprofit Association of the Midlands
NOTES TO FINANCIAL STATEMENTS - CONTINUED
For the year ended December 31, 2013

NOTE G. CONTRIBUTED SERVICES AND MATERIALS - CONTINUED

The Organization received donated materials of an iPad 2 during the year ended December 31, 2013, with a fair value on the dates of donation of \$428.

NOTE H. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of December 31, 2013, are available for the following purposes:

Time restricted & guideline principles program	\$ 136,600
Time restricted	25,000
Development of non-profit transparency/ethics standards	1,142
Organization website upgrades	<u>12,000</u>
Total temporarily restricted net assets	<u>\$ 174,742</u>

NOTE I. CONCENTRATIONS

For the year ended December 31, 2013, the Organization received 52.6% of its revenues from program income and membership dues and 46% of its income from contributions and grants.

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, 2013, was \$17,487.

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 \$2,169 for the year ended December 31, 2013.

Nonprofit Association of the Midlands
NOTES TO FINANCIAL STATEMENTS - CONTINUED
For the year ended December 31, 2013

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, 2013, 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. SUBSEQUENT EVENTS

As of July 18, 2014, 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, 2013, 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, 2013
(With comparative totals for 2012)

Program	Supporting Services			Totals		
	Management and General	Membership Activities	Fundraising	2013	2012	
Salaries and related expenses	\$ 38,341	\$ 33,239	\$ 62,832	\$ 41,047	\$ 175,458	\$ 168,308
Payroll taxes	2,646	2,285	4,330	2,766	12,027	12,060
Employee benefits	8,404	7,258	13,751	8,786	38,199	33,534
Professional Fees	-	-	-	-	-	2,000
Marketing	1,421	1,297	2,038	1,420	6,176	-
Advertising and promotion	6,576	36	10,855	20	17,487	9,525
Accounting and audits	-	21,333	-	-	21,333	16,119
Legal	-	965	-	-	965	1,410
Office	3,716	7,079	14,142	3,806	28,743	29,123
Grants to other organizations	-	-	-	-	-	1,100
Occupancy	7,583	4,063	11,104	4,334	27,084	25,307
Equipment rental and maintenance	1,350	723	1,976	771	4,820	3,325
Insurance- business	952	546	1,413	596	3,506	4,956
Training	33,405	6,046	8,151	3,410	51,012	45,426
Web development	6,687	532	5,313	567	13,099	42,670
Taxes- sales and other	-	-	-	-	-	456
Other expenses	6	-	4,273	-	4,279	4,015
Total expenses before depreciation	111,086	85,401	140,178	67,522	404,188	399,334
Depreciation expense	967	2,644	1,805	1,032	6,448	2,242
Total expenses	112,053	88,045	141,983	68,554	410,636	401,576

See independent auditor's report.