

NATIONAL HUMAN SERVICES ASSEMBLY
AND
SUBSIDIARY
DECEMBER 31, 2017 AND 2016

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
National Human Services Assembly
and Subsidiary
Washington, D.C.

We have audited the accompanying consolidated financial statements of National Human Services Assembly and Subsidiary, which comprise the consolidated statements of financial position as of December 31, 2017 and 2016, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated 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 consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of National Human Services Assembly and Subsidiary as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years 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 consolidated financial statements as a whole. The consolidated schedule of functional expenses for the year ended December 31, 2017, the consolidating statement of financial position as of December 31, 2017 and the consolidating statement of activities for the year then ended are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Sapir and Rhodes, LLP

May 21, 2018

NATIONAL HUMAN SERVICES ASSEMBLY AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| | DECEMBER 31, | |
|--|----------------------------|----------------------------|
| | <u>2017</u> | <u>2016</u> |
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash (Notes 1 and 11) | \$ 601,480 | \$ 531,616 |
| Investments (Notes 1, 2 and 3) | 156,899 | 153,199 |
| Membership dues receivable, net of allowance for doubtful accounts of \$15,310 and \$3,310 for 2017 and 2016, respectively (Note 1) | 22,312 | 14,139 |
| Grants receivable - current (Notes 1 and 9) | 225,000 | - |
| PurchasingPoint [®] Program receivable (Note 1) | 256,240 | 400,769 |
| Other receivables and prepaid expenses (Note 1) | 37,046 | 27,971 |
| Prepaid income tax | 27,753 | 3,535 |
| Deferred tax asset (Note 5) | <u>6,256</u> | <u>-</u> |
| TOTAL CURRENT ASSETS | <u>\$ 1,332,986</u> | <u>\$ 1,131,229</u> |
| PROPERTY AND EQUIPMENT, NET (Notes 1 and 4) | <u>\$ 29,429</u> | <u>\$ 125,049</u> |
| OTHER ASSETS: | | |
| Grants receivable - long-term (Notes 1 and 9) | <u>\$ 200,000</u> | <u>\$ -</u> |
| TOTAL ASSETS | <u><u>\$ 1,562,415</u></u> | <u><u>\$ 1,256,278</u></u> |
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES: | | |
| Accounts payable | \$ 13,800 | \$ 10,563 |
| Accrued vacation payable | 7,550 | 6,428 |
| Retirement and payroll withholdings payable | 322 | 5,108 |
| Dividends payable (Note 1) | 126,967 | 150,643 |
| Deferred revenue (Note 1) | 42,657 | 92,539 |
| Deferred lease obligation - current (Note 7) | <u>14,375</u> | <u>14,375</u> |
| TOTAL CURRENT LIABILITIES | <u>\$ 205,671</u> | <u>\$ 279,656</u> |
| DEFERRED LEASE OBLIGATION (Note 7) | <u>\$ 111,582</u> | <u>\$ 125,956</u> |
| COMMITMENTS (Note 7) | | |
| NET ASSETS (Notes 1 and 8): | | |
| Unrestricted | \$ 620,162 | \$ 803,868 |
| Temporarily restricted | <u>625,000</u> | <u>46,798</u> |
| TOTAL NET ASSETS | <u>\$ 1,245,162</u> | <u>\$ 850,666</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u><u>\$ 1,562,415</u></u> | <u><u>\$ 1,256,278</u></u> |

The accompanying notes are an integral part of these financial statements.

NATIONAL HUMAN SERVICES ASSEMBLY AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF ACTIVITIES

| | FOR THE YEARS ENDED DECEMBER 31, | | | | | |
|---|----------------------------------|---------------------------|---------------------|---------------------|---------------------------|---------------------|
| | 2017 | | | 2016 | | |
| | Unrestricted | Temporarily Restricted | Total | Unrestricted | Temporarily Restricted | Total |
| SUPPORT AND REVENUE (Note 1): | | | | | | |
| Grants and contributions (Note 9) | \$ 31,959 | \$ 725,000 | \$ 756,959 | \$ 26,720 | \$ 249,215 | \$ 275,935 |
| PurchasingPoint [®] Program, net of dividends to members (Note 1) | 732,966 | - | 732,966 | 923,475 | - | 923,475 |
| Membership dues | 346,524 | - | 346,524 | 435,543 | - | 435,543 |
| Sublet rental income and other (Note 7) | 52,939 | - | 52,939 | 28,576 | - | 28,576 |
| Dividend and interest income | 3,287 | - | 3,287 | 3,176 | - | 3,176 |
| Realized and unrealized gain on investments | 418 | - | 418 | 1,228 | - | 1,228 |
| Net assets released from restrictions | 146,798 | (146,798) | - | 439,514 | (439,514) | - |
| TOTAL SUPPORT AND REVENUE | <u>\$ 1,314,891</u> | <u>\$ 578,202</u> | <u>\$ 1,893,093</u> | <u>\$ 1,858,232</u> | <u>\$ (190,299)</u> | <u>\$ 1,667,933</u> |
| EXPENSES: | | | | | | |
| Program services | \$ 1,331,900 | \$ - | \$ 1,331,900 | \$ 1,542,739 | \$ - | \$ 1,542,739 |
| Management and general | 124,959 | - | 124,959 | 105,416 | - | 105,416 |
| Fundraising | 41,738 | - | 41,738 | 31,782 | - | 31,782 |
| TOTAL EXPENSES | <u>\$ 1,498,597</u> | <u>\$ -</u> | <u>\$ 1,498,597</u> | <u>\$ 1,679,937</u> | <u>\$ -</u> | <u>\$ 1,679,937</u> |
| CHANGES IN NET ASSETS | \$ (183,706) | \$ 578,202 | \$ 394,496 | \$ 178,295 | \$ (190,299) | \$ (12,004) |
| NET ASSETS, BEGINNING OF YEAR | <u>803,868</u> | <u>46,798</u> | <u>850,666</u> | <u>625,573</u> | <u>237,097</u> | <u>862,670</u> |
| NET ASSETS, END OF YEAR | <u>\$ 620,162</u> | <u>\$ 625,000</u> | <u>\$ 1,245,162</u> | <u>\$ 803,868</u> | <u>\$ 46,798</u> | <u>\$ 850,666</u> |

The accompanying notes are an integral part of these financial statements.

NATIONAL HUMAN SERVICES ASSEMBLY AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

| | FOR THE YEARS ENDED DECEMBER 31, | |
|--|-------------------------------------|--------------------|
| | 2017 | 2016 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Cash received from members and contributors | \$ 1,588,744 | \$ 1,566,978 |
| Cash paid to suppliers and employees | (1,494,417) | (1,423,381) |
| Interest and dividends received | 3,287 | 3,176 |
| Income taxes paid | (24,468) | (176,297) |
| NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | <u>\$ 73,146</u> | <u>\$ (29,524)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchases of investments | <u>\$ (3,282)</u> | <u>\$ (2,733)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Net borrowings (repayments) on line of credit | <u>\$ -</u> | <u>\$ (20)</u> |
| NET CHANGE IN CASH | <u>\$ 69,864</u> | <u>\$ (32,277)</u> |
| CASH, BEGINNING OF YEAR | <u>531,616</u> | <u>563,893</u> |
| CASH, END OF YEAR | <u>\$ 601,480</u> | <u>\$ 531,616</u> |
| RECONCILIATION OF CHANGES IN NET ASSETS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES: | | |
| Changes in net assets | \$ 394,496 | \$ (12,004) |
| Reconciliation adjustments: | | |
| Depreciation | 95,620 | 96,003 |
| Bad debt expense | 12,000 | 27,978 |
| Realized and unrealized gain on investments | (418) | (1,228) |
| Decrease (increase) in operational assets: | | |
| Grants and membership dues receivable | (445,173) | (6,951) |
| PurchasingPoint [®] program receivable | 144,529 | (89,600) |
| Other receivables and prepaid expenses | (9,075) | 23,146 |
| Prepaid income tax | (24,218) | (3,535) |
| Deferred tax asset | (6,256) | - |
| Increase (decrease) in operational liabilities: | | |
| Accounts payable | 3,237 | (78,536) |
| Income tax payable | - | (66,980) |
| Accrued vacation payable | 1,122 | (666) |
| Retirement and payroll withholdings payable | (4,786) | 4,838 |
| Dividends payable | (23,676) | 18,411 |
| Deferred revenue | (49,882) | 64,839 |
| Deferred lease obligation | (14,374) | (5,239) |
| NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | <u>\$ 73,146</u> | <u>\$ (29,524)</u> |

The accompanying notes are an integral part of these financial statements.

NATIONAL HUMAN SERVICES ASSEMBLY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

Note 1. Organization and Summary of Significant Accounting Policies

Organization - National Human Services Assembly (“National Assembly”) is an association of more than fifty national nonprofit human service/human development organizations. Its mission is “*To effect human development and community development policies and practices that achieve the best possible outcomes for individuals, families and communities in the United States.*” It does so by engaging a range of leaders of member organizations in collaborative learning, professional development, and joint efforts. The National Assembly also functions as a vehicle for promoting effective nonprofit management practices and cost savings, the latter through its for-profit subsidiary, National Assembly Business Services, Inc.

The National Assembly acquires funds through membership dues, business agreements, contributions and grants. These funds are expended on programs and activities designed to provide services such as short-term training, conferences, and development of program services for technical assistance to the National Assembly’s membership.

National Assembly has a wholly-owned subsidiary, National Assembly Business Services, Inc. (“NABS”), which was incorporated in the State of Delaware in October 2007. The purpose of NABS is to facilitate group purchasing by National Assembly members and others.

Principles of Consolidation - The consolidated financial statements include the accounts of the National Assembly and NABS, collectively referred to as the Organization. Intercompany accounts and transactions have been eliminated in consolidation.

Basis of Accounting - The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting. Accordingly, revenue and expenses are recorded when earned or incurred.

Basis of Presentation - The Organization reports information regarding its financial position and activities for each of the three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. Net assets of the two restricted classes are created only by donor-imposed restrictions on their use. All other net assets, including board-designated or appropriated amounts, are reported as part of the unrestricted class. The Organization had no permanently restricted net assets at December 31, 2017 and 2016.

Cash - For purposes of the consolidated statements of cash flows, the Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash.

Investments - Investments are stated at fair value at the consolidated statement of financial position date. Realized and unrealized gains and losses are recorded in the consolidated statements of activities.

NATIONAL HUMAN SERVICES ASSEMBLY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

Note 1. Organization and Summary of Significant Accounting Policies - (Continued)

Receivables - Receivables for membership dues, the PurchasingPoint® program, grants and other are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that remain outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Generally, the receivables are uncollateralized.

Property and Equipment - Property and equipment are recorded at cost and depreciated over the useful lives of the assets using the straight line method of depreciation. The Organization capitalizes assets whose costs are in excess of \$500. When properties are retired or otherwise disposed, the costs and related accumulated depreciation are removed from the accounts with any resulting gain or loss reflected in income. Maintenance and repairs are expensed in the year incurred.

Revenue Recognition and Deferred Revenue – Grants and contributions are recognized as revenue at the earlier of when they are received or when the Organization has received an unconditional promise from the donor to contribute a specific amount.

Membership dues received in advance are deferred and recognized as revenue in the applicable membership period.

Dividends Payable - NABS operates the PurchasingPoint® Program. Periodically throughout the year, NABS receives patronage dividends for the program. A certain percentage of these dividends are distributed to participating members of the program at the discretion of the Board of Directors. As of December 31, 2017 and 2016, the estimated dividends payable to participative members were \$ 126,967 and \$150,643, respectively. The actual dividends paid in the years ended December 31, 2017 and 2016 totaled \$150,643 and \$127,314, respectively.

Use of Estimates - The presentation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes - The National Assembly is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. National Assembly had no unrelated business taxable income during the years ended December 31, 2017 and 2016. NABS, the wholly-owned subsidiary, is taxed as a corporation and incurred income tax expense of \$(6,006) and \$105,599 for the years ended December 31, 2017 and 2016.

NATIONAL HUMAN SERVICES ASSEMBLY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

Note 1. Organization and Summary of Significant Accounting Policies - (Continued)

Income Taxes – (Continued)

National Assembly and NABS believe that they have appropriate support for any tax positions taken, and as such, do not have any uncertain tax positions that are material to the consolidated financial statements.

Expense Allocation - The costs of providing the various programs and other supporting activities have been allocated on a functional basis in the consolidated statements of activities. Expenses are allocated among program and supporting services based on direct costs and other criteria.

Advertising - Advertising costs are expensed as incurred.

Note 2. Investments - Investments consisted of the following at December 31:

| | 2017 | 2016 |
|--------------------------|-------------------|-------------------|
| Fixed-income mutual fund | \$ 105,379 | \$ 102,052 |
| Money market fund | 51,520 | 51,147 |
| Totals | <u>\$ 156,899</u> | <u>\$ 153,199</u> |

Note 3. Fair Value Measurements - Accounting principles generally accepted in the United States of America establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the National Assembly has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or by other means.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

NATIONAL HUMAN SERVICES ASSEMBLY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

Note 3. Fair Value Measurements - (Continued)

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for investments measured at fair value:

Money market fund - The money market fund is valued by the institutional fund management at the stated price of the fund which generally approximates the original cost and the value of the underlying assets.

Mutual fund - The mutual fund is traded on a national securities exchange and valued at the reported market price on the last business day of the year.

The following table sets forth by level, within the fair value hierarchy, the Organization's investment assets at fair value as of December 31, 2017:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Total</u> |
|--------------------------|------------------|-------------------|-------------------|
| Money market fund | \$ - | \$ 105,379 | \$ 105,379 |
| Fixed-income mutual fund | <u>51,520</u> | <u>-</u> | <u>51,520</u> |
| Totals | <u>\$ 51,520</u> | <u>\$ 105,379</u> | <u>\$ 156,899</u> |

The following table sets forth by level, within the fair value hierarchy, the Organization's investment assets at fair value as of December 31, 2016:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Total</u> |
|--------------------------|------------------|-------------------|-------------------|
| Money market fund | \$ - | \$ 102,052 | \$ 102,052 |
| Fixed-income mutual fund | <u>51,147</u> | <u>-</u> | <u>51,147</u> |
| Totals | <u>\$ 51,147</u> | <u>\$ 102,052</u> | <u>\$ 153,199</u> |

NATIONAL HUMAN SERVICES ASSEMBLY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

Note 4. **Property and Equipment** - Property and equipment consisted of the following at December 31:

| | 2017 | 2016 |
|--------------------------------|------------------|-------------------|
| Website | \$ 400,994 | \$ 400,994 |
| Furniture and equipment | 59,892 | 59,892 |
| Leasehold improvements | 1,859 | 1,859 |
| Subtotals | \$ 462,745 | \$ 462,745 |
| Less, Accumulated depreciation | 433,316 | 337,696 |
| Property and equipment, net | <u>\$ 29,429</u> | <u>\$ 125,049</u> |

Depreciation expense for the years ended December 31, 2017 and 2016 was \$95,620 and \$96,003, respectively.

Note 5. **Deferred Tax Asset** - Income taxes are provided for the tax effects of transactions reported in the financial statements and consists of taxes currently due plus deferred taxes for operating losses that are available to offset future taxable income. The provision for income taxes that appears on the consolidating statement of activities and the consolidated schedule of functional expenses consists of the following:

| | 2017 | 2016 |
|----------------------------------|-------------------|-------------------|
| Current year tax expense | \$ 250 | \$ 105,782 |
| Adjustment of deferred tax asset | (6,256) | - |
| Total income tax expense | <u>\$ (6,006)</u> | <u>\$ 105,782</u> |

NABS's deferred tax asset arises from a net operating loss carry forward available to offset future taxable income. As of December 31, 2017, NABS has a net operating loss of \$21,687 arising from the current year that will expire in 2037. NABS does not have any deferred tax liabilities to offset the deferred tax asset.

The provision for income taxes differs from applying the statutory U.S. federal income tax rate to income before income taxes. The primary differences result from providing for state income taxes and from deducting certain expenses for financial statement purposes but not for federal income tax purposes.

Note 6. **Line of Credit** - National Assembly maintains a financing agreement which provides a line of credit up to \$50,000. Advances on the line are payable upon demand. At December 31, 2017 the annual interest rate of the line was 11.25%. There was no outstanding balance as of December 31, 2017.

NATIONAL HUMAN SERVICES ASSEMBLY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

Note 7. **Commitments** - The Organization entered into a non-cancelable operating lease for office space that expires February 28, 2022. In lieu of a security deposit the Organization maintains a letter of credit in the amount of \$17,122. The lease agreement includes escalation clauses relating to increases in the consumer price index, real estate taxes and operating costs, as well as the abatement of payments for a portion of the lease commitment. The defined escalation clause and abatement in the lease gives rise to a deferred lease obligation, which is being amortized on a straight-line basis over the term of the lease. Rent expense for office space was \$260,248 and \$249,488 for the years ended December 31, 2017 and 2016.

The Organization subleased part of its office space during 2017 and 2016. Sublease rental income totaled \$23,527 and \$28,250 for the years ended December 31, 2017 and 2016.

Future minimum lease payments are as follows:

| Years ending December 31, | Office Lease |
|------------------------------|---------------------|
| 2018 | \$ 244,417 |
| 2019 | 250,350 |
| 2020 | 256,795 |
| 2021 | 263,213 |
| 2022 | 44,686 |
| Totals | <u>\$ 1,059,461</u> |

Note 8. **Net Assets** -Temporarily restricted net assets were restricted for the following programs at December 31:

| | 2017 | 2016 |
|---------------------------|-------------------|------------------|
| Annie E. Casey Foundation | \$ - | \$ 27,790 |
| Kresge Foundation | 625,000 | 19,008 |
| Totals | <u>\$ 625,000</u> | <u>\$ 46,798</u> |

Note 9. **Grants and Grants Receivable** - A significant portion of the Organization's funding depends on special-purpose foundation grants and can vary substantially from year to year. During 2017, the Organization recognized as revenue a \$100,000 grant from the Annie E. Casey Foundation and a \$625,000 grant from the Kresge Foundation. In 2016, the Organization received and recognized a \$100,000 grant from the Annie E. Casey Foundation and two grants from the Kresge Foundation totaling \$149,215. The Organization expended the 2016 grants through April 2017.

NATIONAL HUMAN SERVICES ASSEMBLY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

Note 9. Grants and Grants Receivable – (Continued)

Grants receivable are stated at the amount management expects to collect from outstanding balances. Management considers all outstanding balances to be fully collectible; therefore, no provision for uncollectable grants has been recorded. The multi-year grants receivable is not discounted to present value since management determined that such discount is immaterial. Grants receivable at December 31, 2017 consisted of receivable in less than one year of \$225,000 and receivable in one to five years of \$200,000.

Note 10. Retirement Plan - The Organization maintains a tax deferred compensation plan under Internal Revenue Code 403(b) covering all employees that have reached twenty-one years of age and have completed one year of service. The Organization contributes 10% of each eligible employee's compensation. During 2017 and 2016, employer contributions to the Plan totaled \$58,135 and \$33,536, respectively. Employees may also contribute a portion of their salaries to the Plan on a pre-tax basis.

Note 11. Concentration of Credit Risk - Financial instruments, which potentially subject the Organization to concentrations of credit risk, include cash deposits with commercial banks and money market funds with investment brokers.

The Organization's cash management policies generally limit its exposure to concentrations of credit risk by maintaining cash accounts at financial institutions whose deposits are insured by the Federal Deposit Insurance Corporation (FDIC). Individual bank account balances in excess of certain amounts, as well as all money market funds held with investment brokers are not insured by the FDIC. At December 31, 2017, the Organization's uninsured cash balances total \$149,612.

Note 12. Concentration of Revenue - During 2017 and 2016, NABS received approximately 99% of its revenues from a single Group Purchasing Organization (GPO) that provides discounts through volume purchasing that NABS provides to its members. A program like NABS typically has a relationship with just one GPO.

NATIONAL HUMAN SERVICES ASSEMBLY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

Note 13. **Functional Classification of Expenses** - Expenses by functional classification consisted of the following for the years ended December 31:

| | <u>2017</u> | <u>2016</u> |
|--------------------------------------|----------------------------|----------------------------|
| Program services: | | |
| PurchasingPoint [®] Program | \$ 733,948 | \$ 762,394 |
| Membership services | 356,735 | 340,840 |
| Reframing Initiative | 241,217 | 350,340 |
| Boys and Men of Color | - | 49,227 |
| Financial Stability First | <u>-</u> | <u>39,938</u> |
| Total program services | \$ 1,331,900 | \$ 1,542,739 |
| Management and general | 124,959 | 105,416 |
| Fundraising | <u>41,738</u> | <u>31,782</u> |
| Total expenses | <u><u>\$ 1,498,597</u></u> | <u><u>\$ 1,679,937</u></u> |

Expenses classified by percentage were as follows for the years ended December 31:

| | | |
|------------------------|----------------------|----------------------|
| Program services | 88.88 | 91.83 |
| Management and general | 8.34 | 6.27 |
| Fundraising | <u>2.78</u> | <u>1.90</u> |
| Total | <u><u>100.00</u></u> | <u><u>100.00</u></u> |

Note 14. **Subsequent Events** - In preparation of these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 21, 2018, which is the date the financial statements were available to be issued.

NATIONAL HUMAN SERVICES ASSEMBLY AND SUBSIDIARY
CONSOLIDATED SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017
(with comparative totals for 2016)

| | Program Services | | | | Supporting Services | | | |
|----------------------------------|-------------------|-------------------|-------------------------------|---------------------|---------------------|------------------|---------------------|---------------------|
| | Membership | Reframing | Purchasing | Total | Management | | Total | Total |
| | Services | Initiative | Point [®] Program | Programs | and General | Fundraising | 2017 | 2016 |
| Compensation | \$ 143,782 | \$ 65,265 | \$ 324,397 | \$ 533,444 | \$ 41,080 | \$ 20,540 | \$ 595,064 | \$ 400,400 |
| Occupancy | 98,003 | - | 137,691 | 235,694 | 28,003 | 14,000 | 277,697 | 270,102 |
| Consultants | 13,065 | 151,919 | 23,700 | 188,684 | - | - | 188,684 | 449,442 |
| Employee benefits | 42,189 | 18,634 | 88,332 | 149,155 | 12,053 | 6,027 | 167,235 | 122,368 |
| Depreciation | 4,456 | - | 89,255 | 93,711 | 1,272 | 637 | 95,620 | 96,003 |
| Professional fees | - | - | 31,875 | 31,875 | 39,920 | - | 71,795 | 81,438 |
| Travel - staff | 16,281 | 382 | 9,465 | 26,128 | - | - | 26,128 | 43,798 |
| Conferences and meetings | 18,021 | - | 1,315 | 19,336 | - | - | 19,336 | 15,615 |
| Other general and administrative | 4,285 | - | 8,743 | 13,028 | 1,836 | - | 14,864 | 15,935 |
| Marketing and advertising | - | 349 | 13,912 | 14,261 | - | - | 14,261 | 19,078 |
| Bad debt expense | 12,000 | - | - | 12,000 | - | - | 12,000 | 27,978 |
| Office and computer supplies | 3,738 | 314 | 5,517 | 9,569 | 1,069 | 534 | 11,172 | 11,541 |
| Dues and subscriptions | - | - | 3,406 | 3,406 | 3,885 | - | 7,291 | 10,691 |
| Postage and shipping | 435 | 8 | 1,866 | 2,309 | 187 | - | 2,496 | 4,429 |
| Printing and publications | 480 | - | 480 | 960 | - | - | 960 | 5,337 |
| Income taxes | - | - | (6,006) | (6,006) | - | - | (6,006) | 105,782 |
| Overhead recovery from grants | - | 4,346 | - | 4,346 | (4,346) | - | - | - |
| Totals | <u>\$ 356,735</u> | <u>\$ 241,217</u> | <u>\$ 733,948</u> | <u>\$ 1,331,900</u> | <u>\$ 124,959</u> | <u>\$ 41,738</u> | <u>\$ 1,498,597</u> | <u>\$ 1,679,937</u> |

NATIONAL HUMAN SERVICES ASSEMBLY AND SUBSIDIARY
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017

| ASSETS | <u>NATIONAL ASSEMBLY</u> | <u>NABS</u> | <u>Eliminations</u> | <u>Totals</u> |
|---|------------------------------|-------------------|---------------------|---------------------|
| CURRENT ASSETS: | | | | |
| Cash | \$ 202,143 | \$ 399,337 | \$ - | \$ 601,480 |
| Investments | 51,520 | 105,379 | - | 156,899 |
| Membership dues receivable, net of allowance | 22,312 | - | - | 22,312 |
| Grants receivable - current | 225,000 | - | - | 225,000 |
| PurchasingPoint [®] program receivable | - | 256,240 | - | 256,240 |
| Other receivables and prepaid expenses | 35,696 | 1,350 | - | 37,046 |
| Due from National Assembly | - | 13,868 | (13,868) | - |
| Prepaid income tax | - | 27,753 | - | 27,753 |
| Deferred tax asset | - | 6,256 | - | 6,256 |
| TOTAL CURRENT ASSETS | <u>\$ 536,671</u> | <u>\$ 810,183</u> | <u>\$ (13,868)</u> | <u>\$ 1,332,986</u> |
| PROPERTY AND EQUIPMENT, NET | <u>\$ 6,369</u> | <u>\$ 23,060</u> | <u>\$ -</u> | <u>\$ 29,429</u> |
| OTHER ASSETS: | | | | |
| Grants receivable - long term | \$ 200,000 | \$ - | \$ - | \$ 200,000 |
| Investment in NABS | 5,000 | - | (5,000) | - |
| TOTAL OTHER ASSETS | <u>\$ 205,000</u> | <u>\$ -</u> | <u>\$ (5,000)</u> | <u>\$ 200,000</u> |
| TOTAL ASSETS | <u>\$ 748,040</u> | <u>\$ 833,243</u> | <u>\$ (18,868)</u> | <u>\$ 1,562,415</u> |
| LIABILITIES AND NET ASSETS | | | | |
| CURRENT LIABILITIES: | | | | |
| Accounts payable | \$ 11,341 | \$ 2,459 | \$ - | \$ 13,800 |
| Accrued vacation payable | 3,277 | 4,273 | - | 7,550 |
| Retirement and payroll withholdings payable | 322 | - | - | 322 |
| Dividends payable | - | 126,967 | - | 126,967 |
| Due to NABS | 13,868 | - | (13,868) | - |
| Deferred revenue | 42,657 | - | - | 42,657 |
| Deferred lease obligation - current | 14,375 | - | - | 14,375 |
| TOTAL CURRENT LIABILITIES | <u>\$ 85,840</u> | <u>\$ 133,699</u> | <u>\$ (13,868)</u> | <u>\$ 205,671</u> |
| DEFERRED LEASE OBLIGATION | <u>\$ 111,582</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 111,582</u> |
| NET ASSETS: | | | | |
| Common stock and paid-in capital | \$ - | \$ 5,000 | \$ (5,000) | \$ - |
| Dividends paid | - | (25,000) | 25,000 | - |
| Retained earnings | - | 719,544 | (719,544) | - |
| Net assets | 550,618 | - | 694,544 | 1,245,162 |
| TOTAL NET ASSETS | <u>\$ 550,618</u> | <u>\$ 699,544</u> | <u>\$ (5,000)</u> | <u>\$ 1,245,162</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 748,040</u> | <u>\$ 833,243</u> | <u>\$ (18,868)</u> | <u>\$ 1,562,415</u> |

NATIONAL HUMAN SERVICES ASSEMBLY AND SUBSIDIARY
CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

| | NATIONAL ASSEMBLY | NABS | Eliminations | Totals |
|---|----------------------|-------------------|--------------------|---------------------|
| SUPPORT AND REVENUE: | | | | |
| PurchasingPoint [®] Program, net of dividends to members | \$ - | \$ 732,966 | \$ - | \$ 732,966 |
| Grants and contributions | 776,959 | - | (20,000) | 756,959 |
| Membership dues | 346,524 | - | - | 346,524 |
| Sublet rental income and other | 52,939 | - | - | 52,939 |
| Dividend and interest income | 25,378 | 2,909 | (25,000) | 3,287 |
| Unrealized gain on investments | - | 418 | - | 418 |
| TOTAL SUPPORT AND REVENUE | <u>\$ 1,201,800</u> | <u>\$ 736,293</u> | <u>\$ (45,000)</u> | <u>\$ 1,893,093</u> |
| EXPENSES: | | | | |
| Compensation | \$ 270,667 | \$ 324,397 | \$ - | \$ 595,064 |
| Occupancy | 140,006 | 137,691 | - | 277,697 |
| Consultants | 164,984 | 23,700 | - | 188,684 |
| Employee benefits | 78,903 | 88,332 | - | 167,235 |
| Depreciation | 6,365 | 89,255 | - | 95,620 |
| Professional fees | 39,920 | 31,875 | - | 71,795 |
| Travel - staff | 16,663 | 9,465 | - | 26,128 |
| Conferences and meetings | 18,021 | 1,315 | - | 19,336 |
| Other general and administrative | 6,121 | 8,743 | - | 14,864 |
| Marketing and advertising | 349 | 33,912 | (20,000) | 14,261 |
| Bad debt | 12,000 | - | - | 12,000 |
| Office and computer supplies | 5,655 | 5,517 | - | 11,172 |
| Dues and subscriptions | 3,885 | 3,406 | - | 7,291 |
| Postage and shipping | 630 | 1,866 | - | 2,496 |
| Printing and publications | 480 | 480 | - | 960 |
| Income taxes | - | (6,006) | - | (6,006) |
| TOTAL EXPENSES | <u>\$ 764,649</u> | <u>\$ 753,948</u> | <u>\$ (20,000)</u> | <u>\$ 1,498,597</u> |
| INCREASE IN NET ASSETS AND NET LOSS | \$ 437,151 | \$ (17,655) | \$ (25,000) | \$ 394,496 |
| NET ASSETS, BEGINNING OF YEAR | 113,467 | 742,199 | (5,000) | 850,666 |
| DIVIDENDS PAID | <u>-</u> | <u>(25,000)</u> | <u>25,000</u> | <u>-</u> |
| NET ASSETS, END OF YEAR | <u>\$ 550,618</u> | <u>\$ 699,544</u> | <u>\$ (5,000)</u> | <u>\$ 1,245,162</u> |