

**NATIONAL HUMAN SERVICES ASSEMBLY
AND
SUBSIDIARY
DECEMBER 31, 2018 AND 2017**

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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, 2018 and 2017, and the related consolidated statements of activities and cash flows for the years then ended, and the related consolidated statement of functional expenses for the year ended December 31, 2018 (with comparative totals for 2017) 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, 2018 and 2017, 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 consolidating statement of financial position as of December 31, 2018 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.

Sapientia and Rhodes, LLP

July 19, 2019

NATIONAL HUMAN SERVICES ASSEMBLY AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31,

2018 2017

ASSETS

CURRENT ASSETS:

Cash (Notes 1 and 13)	\$ 607,494	\$ 601,480
Investments (Notes 1, 4 and 5)	114,319	156,899
Membership dues receivable, net of allowance for doubtful accounts of \$27,378 for 2018 and \$15,310 for 2017 (Note 1)	21,274	22,312
Grants receivable - current (Notes 1 and 11)	200,000	225,000
PurchasingPoint [®] Program receivable (Note 1)	315,678	256,240
Other receivables and prepaid expenses (Note 1)	45,460	37,046
Prepaid income tax	-	27,753
Deferred tax asset (Note 7)	-	6,256
TOTAL CURRENT ASSETS	<u>\$ 1,304,225</u>	<u>\$ 1,332,986</u>

PROPERTY AND EQUIPMENT, NET (Notes 1 and 6)	81,757	29,429
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OTHER ASSETS:

Grants receivable - long-term (Notes 1 and 11)	-	200,000
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TOTAL ASSETS	<u>\$ 1,385,982</u>	<u>\$ 1,562,415</u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable	\$ 16,573	\$ 13,800
Accrued vacation payable	17,813	7,550
Retirement and payroll withholdings payable	106	322
Dividends payable (Note 1)	141,443	126,967
Income tax payable (Note 1)	40,839	-
Deferred revenue (Note 1)	31,442	42,657
Deferred lease obligation - current (Note 9)	26,445	14,375
TOTAL CURRENT LIABILITIES	<u>\$ 274,661</u>	<u>\$ 205,671</u>

OTHER LIABILITIES:

Deferred lease obligation (Note 9)	\$ 79,179	\$ 111,582
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COMMITMENTS (Note 9)

NET ASSETS (Notes 1 and 10):

Without donor restrictions	\$ 626,561	\$ 620,162
With donor restrictions	405,581	625,000
TOTAL NET ASSETS	<u>\$ 1,032,142</u>	<u>\$ 1,245,162</u>

TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,385,982</u>	<u>\$ 1,562,415</u>
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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,

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, SUPPORT AND GAINS (Note 1):						
PurchasingPoint [®] Program, net of						
dividends to members (Note 1)	\$ 878,442	\$ -	\$ 878,442	\$ 732,966	\$ -	\$ 732,966
Membership dues	306,440	-	306,440	346,524	-	346,524
Grants and contributions (Note 11)	133,236	-	133,236	31,959	725,000	756,959
Sublet rental income and other (Note 9)	63,471	-	63,471	52,939	-	52,939
Dividend and interest income	3,612	-	3,612	3,287	-	3,287
Realized and unrealized gain (loss) on investments	(1,186)	-	(1,186)	418	-	418
Net assets released from restrictions	219,419	(219,419)	-	146,798	(146,798)	-
TOTAL REVENUE, SUPPORT AND GAINS	<u>\$ 1,603,434</u>	<u>\$ (219,419)</u>	<u>\$ 1,384,015</u>	<u>\$ 1,314,891</u>	<u>\$ 578,202</u>	<u>\$ 1,893,093</u>
EXPENSES:						
Program services	\$ 1,141,926	\$ -	\$ 1,141,926	\$ 975,165	\$ -	\$ 975,165
Supporting services:						
Membership services	333,221	-	333,221	356,735	-	356,735
Management and general	105,858	-	105,858	124,959	-	124,959
Fundraising	16,030	-	16,030	41,738	-	41,738
TOTAL EXPENSES	<u>\$ 1,597,035</u>	<u>\$ -</u>	<u>\$ 1,597,035</u>	<u>\$ 1,498,597</u>	<u>\$ -</u>	<u>\$ 1,498,597</u>
CHANGES IN NET ASSETS	\$ 6,399	\$ (219,419)	\$ (213,020)	\$ (183,706)	\$ 578,202	\$ 394,496
NET ASSETS, BEGINNING 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>
NET ASSETS, END OF YEAR	<u>\$ 626,561</u>	<u>\$ 405,581</u>	<u>\$ 1,032,142</u>	<u>\$ 620,162</u>	<u>\$ 625,000</u>	<u>\$ 1,245,162</u>

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

NATIONAL HUMAN SERVICES ASSEMBLY AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	Program Services			Supporting Services			Totals 2018	Totals 2017
	Reframing Initiative	Purchasing Point [®] Program	Total Programs	Membership Services	Management and General	Fundraising		
Compensation	\$ 183,033	\$ 301,302	\$ 484,335	\$ 125,792	\$ 33,545	\$ 8,386	\$ 652,058	\$ 595,064
Occupancy	38,181	124,792	162,973	65,892	17,571	4,393	250,829	277,697
Employee benefits	51,836	93,507	145,343	40,081	10,688	2,672	198,784	167,235
Consultants	148,708	17,964	166,672	22,273	-	-	188,945	188,684
Professional fees	5,938	32,241	38,179	-	38,905	-	77,084	71,795
Income taxes	-	75,098	75,098	-	-	-	75,098	(6,006)
Depreciation	-	23,061	23,061	4,390	1,170	293	28,914	95,620
Bad debt expense	-	-	-	36,409	-	-	36,409	12,000
Conferences and meetings	-	1,804	1,804	17,386	-	-	19,190	19,336
Other general and administrative	916	7,585	8,501	5,541	2,790	-	16,832	14,864
Dues and subscriptions	11,679	4,662	16,341	-	-	-	16,341	7,291
Office and computer supplies	2,160	7,486	9,646	4,297	1,146	286	15,375	11,172
Travel - staff	886	3,629	4,515	9,036	-	-	13,551	26,128
Marketing and advertising	1,586	1,696	3,282	1,078	-	-	4,360	14,261
Postage and shipping	185	1,524	1,709	130	43	-	1,882	2,496
Printing and publications	113	354	467	916	-	-	1,383	960
Totals	\$ 445,221	\$ 696,705	\$ 1,141,926	\$ 333,221	\$ 105,858	\$ 16,030	\$ 1,597,035	\$ 1,498,597

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,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from members and contributors	\$ 1,511,780	\$ 1,588,744
Cash paid to suppliers and employees	(1,469,280)	(1,494,417)
Interest and dividends received	3,612	3,287
Income taxes paid	(250)	(24,468)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 45,862	\$ 73,146
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	\$ (81,242)	\$ -
Proceeds from sales of investments	41,394	-
Purchases of investments	-	(3,282)
NET CASH USED IN INVESTING ACTIVITIES	\$ (39,848)	\$ (3,282)
NET CHANGE IN CASH	\$ 6,014	\$ 69,864
CASH, BEGINNING OF YEAR	601,480	531,616
CASH, END OF YEAR	\$ 607,494	\$ 601,480
RECONCILIATION OF CHANGES IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Changes in net assets	\$ (213,020)	\$ 394,496
Reconciliation adjustments:		
Depreciation	28,914	95,620
Bad debt expense	36,409	12,000
Realized and unrealized (gain) loss on investments	1,186	(418)
Decrease (increase) in operational assets:		
Grants and membership dues receivable	189,629	(445,173)
PurchasingPoint [®] program receivable	(59,438)	144,529
Other receivables and prepaid expenses	(8,414)	(9,075)
Prepaid income tax	27,753	(24,218)
Deferred tax asset	6,256	(6,256)
Increase (decrease) in operational liabilities:		
Accounts payable	2,773	3,237
Accrued vacation payable	10,263	1,122
Retirement and payroll withholdings payable	(216)	(4,786)
Dividends payable	14,476	(23,676)
Income tax payable	40,839	-
Deferred revenue	(11,215)	(49,882)
Deferred lease obligation	(20,333)	(14,374)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 45,862	\$ 73,146

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

NATIONAL HUMAN SERVICES ASSEMBLY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

Note 1. **Organization and Summary of Significant Accounting Policies**

Organization - National Human Services Assembly (“National Assembly”) is an association of more than forty 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 is recognized when earned and expenses are recorded when the obligation is incurred.

Basis of Presentation - The Organization prepares its financial statements in accordance with U.S. generally accepted accounting principles, including those applicable to nonprofit organizations. Under this presentation, the National Assembly is required to report information regarding its financial position and activities for each of the two classes of net assets:

Without donor restrictions - Net assets without donor restrictions have no donor-imposed restrictions on their use and are fully available for general operations.

With donor restrictions - Net assets with donor restrictions arise from contributions with donor-imposed restrictions on their use that can be removed by the passage of time or satisfaction of the donor specified purpose.

NATIONAL HUMAN SERVICES ASSEMBLY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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

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.

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, 2018 and 2017, the estimated dividends payable to participative members were \$141,443 and \$126,967, respectively. The actual dividends paid in the years ended December 31, 2018 and 2017 totaled \$126,967 and \$150,643, respectively.

NATIONAL HUMAN SERVICES ASSEMBLY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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

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. Starting in 2018, National Assembly had qualified transportation fringe benefits which were taxable as unrelated business income. There was no unrelated business income in 2017. NABS, the wholly-owned subsidiary, is taxed as a corporation and incurred income tax expense of \$75,098 and \$(6,006) for the years ended December 31, 2018 and 2017.

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 summarized on a functional basis in the Consolidated Statements of Activities and in detail by natural classification in the Consolidated Statement of Functional Expenses. Expenses directly attributable to specific functional areas are reported as expenses of those functional areas while indirect costs that benefit multiple functional areas have been allocated among the various functional areas benefitted based on management's best estimate. Compensation and employee benefits are allocated based on employee time and effort spent. Indirect costs allocated include occupancy, office and computer supplies, depreciation, and other general and administrative expenses.

Advertising - Advertising costs are expensed as incurred.

Note 2. **Change in Accounting Principle** - Management adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. As a result of this change, net assets that were previously presented as unrestricted net assets and temporary restricted net assets were converted to net assets without donor restrictions and net assets with donor restrictions, respectively to comply with the standard. The implementation of this ASU had no effect on the changes in net asset classes for either period presented.

NATIONAL HUMAN SERVICES ASSEMBLY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

Note 3. **Liquidity** - Financial assets available for general expenditure within one year of the statement of financial position date are comprised of the following:

Financial assets at year-end:	
Cash	\$ 607,494
Investments	114,319
Membership dues receivable, net of allowance	21,274
Grants receivable	200,000
PurchasingPoint [®] Program receivable	<u>315,678</u>
Total financial assets	\$ 1,258,765
Less, amounts not available for general expenditures within one year:	
Restrictions for purpose	(405,581)
Dividends payable	<u>(141,443)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 711,741</u>

The National Assembly is supported by membership dues, business agreements, contributions and grants with and without donor restrictions. Membership dues, funds from business agreements and contributions without donor restrictions are generally used for general operations. Contributions with donor restrictions require resources to be used in a particular period or for a particular purpose. The National Assembly maintains sufficient resources to meet those responsibilities to its donors. To manage its liquidity, the National Assembly structures its financial assets to be available as its general expenditures and other obligations come due in the next twelve months after the financial position date. In addition, the National Assembly has a committed line of credit in the amount of \$20,000 that it could draw upon in case of unanticipated need.

NABS' financial assets are generally available for general operations and available for the next twelve months after the financial position date.

Note 4. **Investments** - Investments consisted of the following at December 31:

	<u>2018</u>	<u>2017</u>
Fixed-income mutual fund	\$ 107,239	\$ 105,379
Money market fund	<u>7,080</u>	<u>51,520</u>
Totals	<u>\$ 114,319</u>	<u>\$ 156,899</u>

NATIONAL HUMAN SERVICES ASSEMBLY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

Note 5. **Fair Value Measurements** - The framework for measuring fair value 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.

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.

NATIONAL HUMAN SERVICES ASSEMBLY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

Note 5. **Fair Value Measurements** - (Continued)

The following table sets forth by level, within the fair value hierarchy, the Organization's investment assets at fair value as of December 31, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Money market fund	\$ -	\$ 7,080	\$ 7,080
Fixed-income mutual fund	<u>107,239</u>	<u>-</u>	<u>107,239</u>
Totals	<u>\$ 107,239</u>	<u>\$ 7,080</u>	<u>\$ 114,319</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, 2017:

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

Note 6. **Property and Equipment** - Property and equipment consisted of the following at December 31:

	<u>2018</u>	<u>2017</u>
Website	\$ 442,898	\$ 400,994
Furniture and equipment	99,230	59,892
Leasehold improvements	<u>1,859</u>	<u>1,859</u>
Subtotals	\$ 543,987	\$ 462,745
Less, Accumulated depreciation	<u>462,230</u>	<u>433,316</u>
Property and equipment, net	<u>\$ 81,757</u>	<u>\$ 29,429</u>

Depreciation expense for the years ended December 31, 2018 and 2017 was \$28,914 and \$95,620, respectively.

NATIONAL HUMAN SERVICES ASSEMBLY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

Note 7. **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 statement of functional expenses consists of the following:

	2018	2017
Current year tax expense	\$ 62,705	\$ 250
Adjustment of deferred tax asset	6,256	(6,256)
Total income tax expense	\$ 68,961	\$ (6,006)

In 2017, NABS's deferred tax asset arose from a net operating loss carry forward and is available to offset future taxable income. In 2017, NABS had a net operating loss of \$1,687 that was used to offset 2018 taxable income.

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. These differences give rise to deferred tax assets or liabilities. As of December 31, 2018, there were no deferred tax assets or liabilities recorded in the financial statements.

Note 8. **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, 2018 the annual interest rate of the line was 12%. There was no outstanding balance as of December 31, 2018.

Note 9. **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 \$236,994 and \$260,248 for the years ended December 31, 2018 and 2017.

The Organization subleased part of its office space during 2018 and 2017. Sublease rental income totaled \$27,595 and \$23,527 for the years ended December 31, 2018 and 2017.

NATIONAL HUMAN SERVICES ASSEMBLY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

Note 9. **Commitments** - (Continued)

Future minimum lease payments are as follows:

Years ending December 31,	Office Lease
2019	\$ 250,350
2020	256,795
2021	263,213
2022	44,686
Total	\$ 815,044

Note 10. **Net Assets With Donor Restrictions** -Net assets with donor restrictions as to purpose are summarized as follows at December 31:

	2018	2017
Kresge Foundation	\$ 405,581	\$ 625,000
Totals	\$ 405,581	\$ 625,000

Note 11. **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 2018, the Organization recognized a \$100,000 grant from the Annie E. Casey Foundation. In 2017, the Organization received and recognized a \$100,000 grant from the Annie E. Casey Foundation and a multi-year grant from the Kresge Foundation of \$625,000. The Organization expended \$219,419 of the 2017 Kresge Foundation grant through December 31, 2018.

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. The grants receivable of \$200,000 at December 31, 2018 is receivable in less than one year.

NATIONAL HUMAN SERVICES ASSEMBLY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

Note 12. **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 2018 and 2017, employer contributions to the Plan totaled \$59,640 and \$58,135, respectively. Employees may also contribute a portion of their salaries to the Plan on a pre-tax basis.

Note 13. **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, 2018, the Organization's uninsured cash balances total \$295,652.

Note 14. **Concentration of Revenue** - During 2018 and 2017, 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. A change in the relationship with this GPO could have a significant impact on the Organization's operations.

Note 15. **Statement of Functional Expenses** - The financial statements include certain prior-year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended December 31, 2017, from which the summarized information was derived.

Note 16. **Subsequent Events** - In preparation of these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through July 19, 2019, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

NATIONAL HUMAN SERVICES ASSEMBLY AND SUBSIDIARY
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018

	NATIONAL ASSEMBLY	NABS	Eliminations	Totals
ASSETS				
CURRENT ASSETS:				
Cash	\$ 62,860	\$ 544,634	\$ -	\$ 607,494
Investments	7,080	107,239	-	114,319
Membership dues receivable, net of allowance	21,274	-	-	21,274
Grants receivable - current	200,000	-	-	200,000
PurchasingPoint [®] program receivable	-	315,678	-	315,678
Other receivables and prepaid expenses	44,110	1,350	-	45,460
Due from National Assembly	-	31,432	(31,432)	-
TOTAL CURRENT ASSETS	\$ 335,324	\$ 1,000,333	\$ (31,432)	\$ 1,304,225
PROPERTY AND EQUIPMENT, NET	65,783	15,974	-	81,757
OTHER ASSETS:				
Investment in NABS	5,000	-	(5,000)	-
TOTAL OTHER ASSETS	\$ 5,000	\$ -	\$ (5,000)	\$ -
TOTAL ASSETS	\$ 406,107	\$ 1,016,307	\$ (36,432)	\$ 1,385,982
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES:				
Accounts payable	\$ 13,934	\$ 2,639	\$ -	\$ 16,573
Accrued vacation payable	7,569	10,244	-	17,813
Retirement and payroll withholdings payable	106	-	-	106
Dividends payable	-	141,443	-	141,443
Income taxes payable	-	40,839	-	40,839
Due to NABS	31,432	-	(31,432)	-
Deferred revenue	31,442	-	-	31,442
Deferred lease obligation - current	26,445	-	-	26,445
TOTAL CURRENT LIABILITIES	\$ 110,928	\$ 195,165	\$ (31,432)	\$ 274,661
OTHER LIABILITIES:				
Deferred lease obligation	\$ 79,179	\$ -	\$ -	\$ 79,179
NET ASSETS:				
Common stock and paid-in capital	\$ -	\$ 5,000	\$ (5,000)	\$ -
Dividends paid	-	(30,000)	30,000	-
Retained earnings	-	846,142	(846,142)	-
Net assets	216,000	-	816,142	1,032,142
TOTAL NET ASSETS	\$ 216,000	\$ 821,142	\$ (5,000)	\$ 1,032,142
TOTAL LIABILITIES AND NET ASSETS	\$ 406,107	\$ 1,016,307	\$ (36,432)	\$ 1,385,982

NATIONAL HUMAN SERVICES ASSEMBLY AND SUBSIDIARY
CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>NATIONAL ASSEMBLY</u>	<u>NABS</u>	<u>Eliminations</u>	<u>Totals</u>
SUPPORT, REVENUE AND GAINS:				
PurchasingPoint [®] Program, net of				
dividends to members	\$ -	\$ 878,442	\$ -	\$ 878,442
Membership dues	306,440	-	-	306,440
Grants and contributions	165,236	-	(32,000)	133,236
Sublet rental income and other	63,471	-	-	63,471
Dividend and interest income	30,565	3,047	(30,000)	3,612
Unrealized loss on investments	-	(1,186)	-	(1,186)
TOTAL SUPPORT, REVENUE AND GAINS	<u>\$ 565,712</u>	<u>\$ 880,303</u>	<u>\$ (62,000)</u>	<u>\$ 1,384,015</u>
EXPENSES:				
Compensation	\$ 350,756	\$ 301,302	\$ -	\$ 652,058
Occupancy	126,037	124,792	-	250,829
Employee benefits	105,277	93,507	-	198,784
Consultants	170,981	17,964	-	188,945
Professional fees	44,843	32,241	-	77,084
Income taxes	-	75,098	-	75,098
Depreciation	5,853	23,061	-	28,914
Bad debt	36,409	-	-	36,409
Conferences and meetings	17,386	1,804	-	19,190
Other general and administrative	9,247	7,585	-	16,832
Dues and subscriptions	11,679	4,662	-	16,341
Office and computer supplies	7,889	7,486	-	15,375
Travel - staff	9,922	3,629	-	13,551
Marketing and advertising	2,664	33,696	(32,000)	4,360
Postage and shipping	358	1,524	-	1,882
Printing and publications	1,029	354	-	1,383
TOTAL EXPENSES	<u>\$ 900,330</u>	<u>\$ 728,705</u>	<u>\$ (32,000)</u>	<u>\$ 1,597,035</u>
INCREASE (DECREASE) IN NET ASSETS AND NET INCOME	<u>\$ (334,618)</u>	<u>\$ 151,598</u>	<u>\$ (30,000)</u>	<u>\$ (213,020)</u>
NET ASSETS, BEGINNING OF YEAR	550,618	699,544	(5,000)	1,245,162
DIVIDENDS PAID	<u>-</u>	<u>(30,000)</u>	<u>30,000</u>	<u>-</u>
NET ASSETS, END OF YEAR	<u>\$ 216,000</u>	<u>\$ 821,142</u>	<u>\$ (5,000)</u>	<u>\$ 1,032,142</u>