

**NATIONAL HUMAN SERVICES ASSEMBLY
AND
SUBSIDIARY
DECEMBER 31, 2019 AND 2018**

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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, 2019 and 2018, and the related consolidated statements of activities, functional expenses, 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, 2019 and 2018, 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, 2019 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.

Darwin and Rhodes, LLP

September 30, 2020

NATIONAL HUMAN SERVICES ASSEMBLY AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	DECEMBER 31,	
	2019	2018
ASSETS		
CURRENT ASSETS:		
Cash (Notes 1 and 12)	\$ 467,404	\$ 607,494
Investments (Notes 1, 4 and 5)	120,571	114,319
Membership dues receivable, net of allowance for doubtful accounts of \$0 for 2019 and \$27,378 for 2018 (Note 1)	2,330	21,274
Grants receivable - current (Notes 1 and 10)	-	200,000
PurchasingPoint [®] Program receivable (Note 1)	241,314	315,678
Other receivables and prepaid expenses (Note 1)	59,035	45,460
TOTAL CURRENT ASSETS	\$ 890,654	\$ 1,304,225
PROPERTY AND EQUIPMENT, NET (Notes 1 and 6)	80,434	81,757
TOTAL ASSETS	\$ 971,088	\$ 1,385,982
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 22,989	\$ 16,573
Accrued vacation payable	6,802	17,813
Retirement and payroll withholdings payable	1,075	106
Dividends payable (Note 1)	123,515	141,443
Income taxes payable (Note 1)	58,084	40,839
Security deposit	3,334	-
Deferred revenue (Note 1)	18,000	31,442
Deferred lease obligation - current (Note 8)	32,711	26,445
TOTAL CURRENT LIABILITIES	\$ 266,510	\$ 274,661
OTHER LIABILITIES:		
Deferred lease obligation (Note 8)	\$ 46,467	\$ 79,179
COMMITMENTS (Note 8)		
NET ASSETS (Notes 1 and 9):		
Without donor restrictions	\$ 493,373	\$ 626,561
With donor restrictions	164,738	405,581
TOTAL NET ASSETS	\$ 658,111	\$ 1,032,142
TOTAL LIABILITIES AND NET ASSETS	\$ 971,088	\$ 1,385,982

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,

	2019			2018		
	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	\$ 839,020	\$ -	\$ 839,020	\$ 878,442	\$ -	\$ 878,442
Membership dues	248,737	-	248,737	306,440	-	306,440
Sublet rental income and other (Note 8)	85,521	-	85,521	63,471	-	63,471
Grants and contributions (Note 10)	26,915	-	26,915	133,236	-	133,236
Dividend and interest income	5,898	-	5,898	3,612	-	3,612
Realized and unrealized gain (loss) on investments	357	-	357	(1,186)	-	(1,186)
Net assets released from restrictions	240,843	(240,843)	-	219,419	(219,419)	-
TOTAL REVENUE, SUPPORT AND GAINS	\$ 1,447,291	\$ (240,843)	\$ 1,206,448	\$ 1,603,434	\$ (219,419)	\$ 1,384,015
EXPENSES:						
Program services:						
PurchasingPoint [®] Program	\$ 680,523	\$ -	\$ 680,523	\$ 696,705	\$ -	\$ 696,705
Reframing Initiative	550,387	-	550,387	445,221	-	445,221
Supporting services:						
Membership services	252,084	-	252,084	333,221	-	333,221
Management and general	84,927	-	84,927	105,858	-	105,858
Fundraising	12,558	-	12,558	16,030	-	16,030
TOTAL EXPENSES	\$ 1,580,479	\$ -	\$ 1,580,479	\$ 1,597,035	\$ -	\$ 1,597,035
CHANGES IN NET ASSETS	\$ (133,188)	\$ (240,843)	\$ (374,031)	\$ 6,399	\$ (219,419)	\$ (213,020)
NET ASSETS, BEGINNING OF YEAR	626,561	405,581	1,032,142	620,162	625,000	1,245,162
NET ASSETS, END OF YEAR	\$ 493,373	\$ 164,738	\$ 658,111	\$ 626,561	\$ 405,581	\$ 1,032,142

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, 2019

	Program Services			Supporting Services			Totals 2019
	Purchasing			Management			
	Reframing Initiative	Point [®] Program	Total Programs	Membership Services	and General	Fundraising	
Compensation	\$ 189,544	\$ 266,993	\$ 456,537	\$ 59,058	\$ 15,749	\$ 3,937	\$ 535,281
Consultants	177,313	51,749	229,062	66,270	17,671	4,418	317,421
Occupancy	95,850	128,919	224,769	24,843	6,625	1,656	257,893
Employee benefits	54,113	91,690	145,803	12,957	3,455	864	163,079
Professional fees	15,832	35,316	51,148	-	33,097	-	84,245
Income taxes	-	66,945	66,945	-	-	-	66,945
Bad debt expense	-	5,000	5,000	37,065	-	-	42,065
Depreciation	-	5,325	5,325	21,572	5,752	1,438	34,087
Conferences and meetings	-	26	26	17,076	-	-	17,102
Dues and subscriptions	10,302	4,173	14,475	-	-	-	14,475
Travel - staff	1,212	8,192	9,404	4,956	-	-	14,360
Other general and administrative	1,548	6,555	8,103	2,500	2,163	167	12,933
Office and computer supplies	3,853	5,090	8,943	1,166	310	78	10,497
Marketing and advertising	499	3,543	4,042	4,500	-	-	8,542
Postage and shipping	8	731	739	121	32	-	892
Printing and publications	313	276	589	-	73	-	662
Total Expenses	<u>\$ 550,387</u>	<u>\$ 680,523</u>	<u>\$ 1,230,910</u>	<u>\$ 252,084</u>	<u>\$ 84,927</u>	<u>\$ 12,558</u>	<u>\$ 1,580,479</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

	Program Services			Supporting Services			Totals 2018
	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
Occupancy	38,181	124,792	162,973	65,892	17,571	4,393	250,829
Employee benefits	51,836	93,507	145,343	40,081	10,688	2,672	198,784
Consultants	148,708	17,964	166,672	22,273	-	-	188,945
Professional fees	5,938	32,241	38,179	-	38,905	-	77,084
Income taxes	-	75,098	75,098	-	-	-	75,098
Bad debt expense	-	-	-	36,409	-	-	36,409
Depreciation	-	23,061	23,061	4,390	1,170	293	28,914
Conferences and meetings	-	1,804	1,804	17,386	-	-	19,190
Other general and administrative	916	7,585	8,501	5,541	2,790	-	16,832
Dues and subscriptions	11,679	4,662	16,341	-	-	-	16,341
Office and computer supplies	2,160	7,486	9,646	4,297	1,146	286	15,375
Travel - staff	886	3,629	4,515	9,036	-	-	13,551
Marketing and advertising	1,586	1,696	3,282	1,078	-	-	4,360
Postage and shipping	185	1,524	1,709	130	43	-	1,882
Printing and publications	113	354	467	916	-	-	1,383
Total Expenses	<u>\$ 445,221</u>	<u>\$ 696,705</u>	<u>\$ 1,141,926</u>	<u>\$ 333,221</u>	<u>\$ 105,858</u>	<u>\$ 16,030</u>	<u>\$ 1,597,035</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,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from members and contributors	\$ 1,451,436	\$ 1,511,780
Cash paid to suppliers and employees	(1,509,065)	(1,469,280)
Interest and dividends received	5,898	3,612
Income taxes paid	(49,700)	(250)
NET CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES	\$ (101,431)	\$ 45,862
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	\$ (32,764)	\$ (81,242)
Proceeds from sales (purchases) of investments	(5,895)	41,394
NET CASH USED IN		
INVESTING ACTIVITIES	\$ (38,659)	\$ (39,848)
NET CHANGE IN CASH	\$ (140,090)	\$ 6,014
CASH, BEGINNING OF YEAR	607,494	601,480
CASH, END OF YEAR	\$ 467,404	\$ 607,494
RECONCILIATION OF CHANGES IN NET ASSETS TO NET		
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:	\$ (374,031)	\$ (213,020)
Changes in net assets	(374,031)	(213,020)
Reconciliation adjustments:		
Depreciation	34,087	28,914
Bad debt expense	42,065	36,409
Realized and unrealized (gain) loss on investments	(357)	1,186
Decrease (increase) in operational assets:		
Grants and membership dues receivable	176,879	189,629
PurchasingPoint [®] program receivable	74,364	(59,438)
Other receivables and prepaid expenses	(13,575)	(8,414)
Prepaid income taxes	-	27,753
Deferred tax asset	-	6,256
Increase (decrease) in operational liabilities:		
Accounts payable	6,416	2,773
Accrued vacation payable	(11,011)	10,263
Retirement and payroll withholdings payable	969	(216)
Pass-through entity obligations	3,334	-
Dividends payable	(17,928)	14,476
Income taxes payable	17,245	40,839
Deferred revenue	(13,442)	(11,215)
Deferred lease obligation	(26,446)	(20,333)
NET CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES	\$ (101,431)	\$ 45,862

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

NATIONAL HUMAN SERVICES ASSEMBLY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

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 generates revenue 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.

The 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 reports information regarding its financial position and activities for each of the two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets with donor restrictions are created only by donor-imposed restrictions for specific purposes or restriction of time. The restrictions are satisfied by the passage of time or by occurrence of an event.

Revenue Recognition - Grants and contributions are recognized at the earlier of when the donor makes a promise to give to the Organization that is, in substance, unconditional or when they are received. Donor-restricted grants and contributions are reported as increases in net assets with donor restrictions. When a restriction expires or is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions. Advance receipts from grants and contracts subject to conditions are reported as deferred revenue in the Consolidated Statements of Financial Position.

NATIONAL HUMAN SERVICES ASSEMBLY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

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

Revenue Recognition - (Continued)

The National Assembly also receives membership dues that provide financial support via an annual fee. Revenue is recognized over the applicable membership period. Dues collected in advance are reported as deferred revenue in the Consolidated Statements of Financial Position.

PurchasingPoint® Program, dues, and service fees are considered exchange transactions and are recognized as the benefit to the end user is available.

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 statements 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.

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, 2019 and 2018, the estimated dividends payable to participative members were \$123,515 and \$141,443, respectively. The actual dividends paid in the years ended December 31, 2019 and 2018 totaled \$141,443 and \$126,967, respectively.

NATIONAL HUMAN SERVICES ASSEMBLY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

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. NABS, the wholly-owned subsidiary, is taxed as a corporation and incurred income tax expense of \$66,945 and \$75,098 for the years ended December 31, 2019 and 2018, respectively.

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 Statements 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** - The Organization adopted the Financial Accounting Standards Board's Accounting Standards Update 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 includes specific criteria to consider when determining whether a contract or agreement should be accounted for as a contribution or as an exchange transaction. ASU 2018-08 also provides a framework to determine whether a contribution is conditional or unconditional, which may impact the timing of revenue recognition. A transaction that is considered an exchange transaction is accounted for under the applicable revenue recognition standards. The Organization adopted this ASU prospectively for agreements that were not completed as of December 31, 2018 and for those entered into after December 31, 2018.

NATIONAL HUMAN SERVICES ASSEMBLY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

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:	<u>2019</u>	<u>2018</u>
Cash	\$ 467,404	\$ 607,494
Investments	120,571	114,319
Membership dues receivable, net of allowance	2,330	21,274
Grants receivable	-	200,000
PurchasingPoint [®] Program receivable	241,314	315,678
Other receivables	<u>13,625</u>	<u>19,828</u>
Total financial assets	\$ 845,244	\$1,278,593
Less, amounts not available for general expenditures within one year:		
Restrictions for purpose	(164,738)	(405,581)
Dividends payable	<u>(123,515)</u>	<u>(141,443)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 556,991</u>	<u>\$ 731,569</u>

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 statement of financial position date. In addition, the National Assembly has a committed line of credit in the amount of \$50,000 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 statement of financial position date.

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

	<u>2019</u>	<u>2018</u>
Fixed-income mutual fund	\$113,416	\$107,239
Money market fund	<u>7,155</u>	<u>7,080</u>
Totals	<u>\$120,571</u>	<u>\$114,319</u>

NATIONAL HUMAN SERVICES ASSEMBLY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

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, 2019 AND 2018

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, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Fixed-income mutual fund	\$ 113,416	\$ -	\$ 113,416
Money market fund	-	7,155	7,155
Totals	<u>\$ 113,416</u>	<u>\$ 7,155</u>	<u>\$ 120,571</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, 2018:

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

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

	<u>2019</u>	<u>2018</u>
Website	\$ 475,662	\$ 442,898
Furniture and equipment	99,230	99,230
Leasehold improvements	<u>1,859</u>	<u>1,859</u>
Subtotals	\$ 576,751	\$ 543,987
Less, Accumulated depreciation	<u>496,317</u>	<u>462,230</u>
Property and equipment, net	<u>\$ 80,434</u>	<u>\$ 81,757</u>

Depreciation expense for the years ended December 31, 2019 and 2018 was \$34,087 and \$28,914, respectively.

Note 7. **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, 2019 the annual interest rate on the line was 11.50%. There was no outstanding balance as of December 31, 2019.

NATIONAL HUMAN SERVICES ASSEMBLY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Note 8. **Commitments** - The Organization entered into a non-cancelable operating lease agreement 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 \$18,035. 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 \$257,893 and \$250,829 for the years ended December 31, 2019 and 2018, respectively.

The Organization subleased part of its office space during 2019 and 2018. Sublease rental income totaled \$39,761 and \$27,595 for the years ended December 31, 2019 and 2018, respectively.

Future minimum lease payments are as follows:

Years ending December 31,	Office Lease
2020	\$ 256,795
2021	263,213
2022	44,686
Total	\$ 564,694

Note 9. **Net Assets With Donor Restrictions** - Net assets with donor restrictions as to purpose are summarized as follows at December 31:

	2019	2018
Reframing Initiative	\$ 164,738	\$ 405,581
Totals	\$ 164,738	\$ 405,581

Note 10. **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. In 2017, the Organization received a multi-year grant from the Kresge Foundation of \$625,000. The Organization expended \$460,262 of the 2017 Kresge Foundation grant through December 31, 2019.

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.

NATIONAL HUMAN SERVICES ASSEMBLY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Note 11. **Retirement Plan** - The Organization maintains a tax deferred compensation plan (the “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 2019 and 2018, employer contributions to the Plan totaled \$45,216 and \$59,640, respectively. Employees may also contribute a portion of their salaries to the Plan on a pre-tax basis.

Note 12. **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, 2019, the Organization’s uninsured cash balances total \$177,092.

Note 13. **Concentration of Revenue** - During 2019 and 2018, NABS received approximately 91% and 93%, respectively, of its revenues from a single Group Purchasing Organization (GPO) that provides discounts through volume purchasing that NABS provides to its members. A program similar to NABS typically has a relationship with a single GPO. A change in the relationship with this GPO could have a significant impact on the Organization’s operations.

Note 14. **Subsequent Events** - In preparation of these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through September 30, 2020, which is the date the financial statements were available to be issued.

The effect of COVID-19 pandemic may also have an effect on the Organization’s fiscal year 2020 activities, though the length of the pandemic and extent of the impact is not yet known.

SUPPLEMENTARY INFORMATION

NATIONAL HUMAN SERVICES ASSEMBLY AND SUBSIDIARY
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019

	<u>NATIONAL ASSEMBLY</u>	<u>NABS</u>	<u>Eliminations</u>	<u>Totals</u>
ASSETS				
CURRENT ASSETS:				
Cash	\$ 40,641	\$ 426,763	\$ -	\$ 467,404
Investments	7,155	113,416	-	120,571
Membership dues receivable, net of allowance	2,330	-	-	2,330
PurchasingPoint [®] program receivable	-	241,314	-	241,314
Other receivables and prepaid expenses	56,405	2,630	-	59,035
Due from National Assembly	-	345,038	(345,038)	-
TOTAL CURRENT ASSETS	<u>\$ 106,531</u>	<u>\$ 1,129,161</u>	<u>\$ (345,038)</u>	<u>\$ 890,654</u>
PROPERTY AND EQUIPMENT, NET	69,785	10,649	-	80,434
OTHER ASSETS:				
Investment in NABS	5,000	-	(5,000)	-
TOTAL OTHER ASSETS	<u>\$ 5,000</u>	<u>\$ -</u>	<u>\$ (5,000)</u>	<u>\$ -</u>
TOTAL ASSETS	<u>\$ 181,316</u>	<u>\$ 1,139,810</u>	<u>\$ (350,038)</u>	<u>\$ 971,088</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES:				
Accounts payable	\$ 21,465	\$ 1,524	\$ -	\$ 22,989
Accrued vacation payable	1,146	5,656	-	6,802
Retirement and payroll withholdings payable	1,075	-	-	1,075
Dividends payable	-	123,515	-	123,515
Income taxes payable	-	58,084	-	58,084
Security deposit	3,334	-	-	3,334
Due to NABS	345,038	-	(345,038)	-
Deferred revenue	18,000	-	-	18,000
Deferred lease obligation - current	32,711	-	-	32,711
TOTAL CURRENT LIABILITIES	<u>\$ 422,769</u>	<u>\$ 188,779</u>	<u>\$ (345,038)</u>	<u>\$ 266,510</u>
OTHER LIABILITIES:				
Deferred lease obligation	\$ 46,467	\$ -	\$ -	\$ 46,467
NET ASSETS:				
Common stock and paid-in capital	\$ -	\$ 5,000	\$ (5,000)	\$ -
Retained earnings	-	946,031	(946,031)	-
Net assets	(287,920)	-	946,031	658,111
TOTAL NET ASSETS	<u>\$ (287,920)</u>	<u>\$ 951,031</u>	<u>\$ (5,000)</u>	<u>\$ 658,111</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 181,316</u>	<u>\$ 1,139,810</u>	<u>\$ (350,038)</u>	<u>\$ 971,088</u>

NATIONAL HUMAN SERVICES ASSEMBLY AND SUBSIDIARY
CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>NATIONAL ASSEMBLY</u>	<u>NABS</u>	<u>Eliminations</u>	<u>Totals</u>
SUPPORT, REVENUE AND GAINS:				
PurchasingPoint [®] Program, net of dividends to members	\$ -	\$ 839,020	\$ -	\$ 839,020
Membership dues	248,737	-	-	248,737
Grants and contributions	58,915	-	(32,000)	26,915
Sublet rental income and other	85,521	-	-	85,521
Dividend and interest income	2,864	3,034	-	5,898
Unrealized gain on investments	-	357	-	357
TOTAL SUPPORT, REVENUE AND GAINS	<u>\$ 396,037</u>	<u>\$ 842,411</u>	<u>\$ (32,000)</u>	<u>\$ 1,206,448</u>
EXPENSES:				
Compensation	\$ 268,288	\$ 266,993	\$ -	\$ 535,281
Consultants	265,672	51,749	-	317,421
Occupancy	128,974	128,919	-	257,893
Employee benefits	71,390	91,689	-	163,079
Professional fees	48,929	35,316	-	84,245
Income taxes	-	66,945	-	66,945
Bad debt	37,064	5,000	-	42,064
Depreciation	28,762	5,325	-	34,087
Conferences and meetings	17,076	26	-	17,102
Dues and subscriptions	10,302	4,173	-	14,475
Travel - staff	6,167	8,192	-	14,359
Other general and administrative	6,379	6,555	-	12,934
Office and computer supplies	5,407	5,090	-	10,497
Marketing and advertising	4,999	35,543	(32,000)	8,542
Postage and shipping	162	731	-	893
Printing and publications	386	276	-	662
TOTAL EXPENSES	<u>\$ 899,957</u>	<u>\$ 712,522</u>	<u>\$ (32,000)</u>	<u>\$ 1,580,479</u>
INCREASE (DECREASE) IN NET ASSETS AND NET INCOME	<u>\$ (503,920)</u>	<u>\$ 129,889</u>	<u>\$ -</u>	<u>\$ (374,031)</u>
NET ASSETS, BEGINNING OF YEAR	<u>216,000</u>	<u>821,142</u>	<u>(5,000)</u>	<u>1,032,142</u>
NET ASSETS, END OF YEAR	<u><u>\$ (287,920)</u></u>	<u><u>\$ 951,031</u></u>	<u><u>\$ (5,000)</u></u>	<u><u>\$ 658,111</u></u>