

NONPROFIT INFORMATION NETWORKING ASSOCIATION
Financial Statements
December 31, 2023
With Independent Auditor's Report

Nonprofit Information Networking Association
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December 31, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Nonprofit Information Networking Association:

Opinion

We have audited the financial statements of Nonprofit Information Networking Association (the "Association"), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as of December 31, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Basis of Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Association and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter - Restatement

As discussed in Note 10 to the financial statements, the net asset balance as of December 31, 2022 has been restated to correct certain material misstatements. Our opinion on the 2023 financial statements is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Withum Smith & Brown, PC

June 7, 2024

Nonprofit Information Networking Association
Statement of Financial Position
December 31, 2023

Assets

Current assets

Cash and cash equivalents	\$ 2,623,883
Accounts receivable, net	31,690
Prepaid expenses and other assets	<u>54,006</u>
Total current assets	<u>2,709,579</u>

Property and equipment, net	<u>30,869</u>
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Other assets

Goodwill	20,979
Security deposit	<u>6,222</u>
Total other assets	<u>27,201</u>

Total assets	<u>\$ 2,767,649</u>
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Liabilities and Net Assets

Current liabilities

Accounts payable and accrued expenses	\$ 182,093
Deferred revenue	<u>388,156</u>
Total current liabilities	<u>570,249</u>

Net assets

Without donor restrictions	1,976,792
With donor restrictions	<u>220,608</u>
Total net assets	<u>2,197,400</u>

Total liabilities and net assets	<u>\$ 2,767,649</u>
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The Notes to Financial Statements are an integral part of this statement.

Nonprofit Information Networking Association
Statement of Activities
Year Ended December 31, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating revenue and other support			
Contributions of cash and financial assets	\$ 1,103,490	\$ 203,941	\$ 1,307,431
Contributions of nonfinancial assets	433,904	-	433,904
Magazine subscriptions and sales	366,261	-	366,261
Advertising	909,819	-	909,819
Other income	12,501	-	12,501
Net assets released from restrictions	<u>312,333</u>	<u>(312,333)</u>	<u>-</u>
Total operating revenues and other support	<u>3,138,308</u>	<u>(108,392)</u>	<u>3,029,916</u>
Expenses			
Program	2,858,276	-	2,858,276
Supporting service expenses			
Management and general	564,324	-	564,324
Fundraising	<u>251,254</u>	<u>-</u>	<u>251,254</u>
Total expenses	<u>3,673,854</u>	<u>-</u>	<u>3,673,854</u>
Change in net assets from operations	(535,546)	(108,392)	(643,938)
Non-operating activities			
Interest income	<u>12,913</u>	<u>-</u>	<u>12,913</u>
Total non-operating activities	<u>12,913</u>	<u>-</u>	<u>12,913</u>
Total changes in net assets	<u>(522,633)</u>	<u>(108,392)</u>	<u>(631,025)</u>
Net assets			
Beginning of year, as restated	<u>2,499,425</u>	<u>329,000</u>	<u>2,828,425</u>
End of year	<u>\$ 1,976,792</u>	<u>\$ 220,608</u>	<u>\$ 2,197,400</u>

The Notes to Financial Statements are an integral part of this statement.

Nonprofit Information Networking Association
Statement of Functional Expenses
Year Ended December 31, 2023

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Payroll	\$ 1,136,888	\$ 354,454	\$ 163,327	\$ 1,654,669
Payroll taxes and employee benefits	<u>272,142</u>	<u>84,847</u>	<u>39,096</u>	<u>396,085</u>
	1,409,030	439,301	202,423	2,050,754
Publications and production	413,200	-	-	413,200
Marketing and customer service	667,984	-	-	667,984
Depreciation	9,321	2,906	1,339	13,566
Dues and subscriptions	32,396	10,101	4,654	47,151
Insurance	10,003	3,119	1,437	14,559
Lease and facilities	54,588	17,019	7,842	79,449
Office expenses	39,980	12,465	5,744	58,189
Processing fees	18,278	5,699	2,626	26,603
Professional fees	85,514	36,931	8,240	130,685
Travel	49,521	15,439	7,114	72,074
Web hosting and technology	<u>68,461</u>	<u>21,344</u>	<u>9,835</u>	<u>99,640</u>
	<u>\$ 2,858,276</u>	<u>\$ 564,324</u>	<u>\$ 251,254</u>	<u>\$ 3,673,854</u>

The Notes to Financial Statements are an integral part of this statement.

Nonprofit Information Networking Association
Statement of Cash Flows
Year Ended December 31, 2023

Operating activities

Changes in net assets	\$ (631,025)
Adjustments to reconcile changes in net assets to net cash used in operating activities:	
Depreciation	13,566
Loss on disposal of property and equipment	1,373
Changes in assets and liabilities	
Accounts receivable	(17,400)
Grants receivable	226,287
Prepaid expenses and other assets	(8,201)
Accounts payable and accrued expenses	159
Deferred revenue	<u>67,373</u>
Net cash used in operating activities	<u>(347,868)</u>

Investing activities

Proceeds from sale of property and equipment	500
Acquisition of property and equipment	<u>(22,381)</u>
Net cash used in investing activities	<u>(21,881)</u>

Net change in cash and cash equivalents (369,749)

Cash and cash equivalents

Beginning of year	<u>2,993,632</u>
End of year	<u>\$ 2,623,883</u>

The Notes to Financial Statements are an integral part of this statement.

Nonprofit Information Networking Association
Notes to Financial Statements
December 31, 2023

1. NATURE OF ORGANIZATION

Nonprofit Information Networking Association d/b/a The Nonprofit Quarterly (the "Association") is a not-for-profit corporation located in Boston, Massachusetts. The purpose of the Association is to provide information and analysis of management of not-for-profit organizations, social trends affecting such management, and the effectiveness of not-for-profit organizations in fulfilling their purposes. This information is disseminated through its website and its print publication, Nonprofit Quarterly Magazine.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The summary of significant accounting policies of the Association is presented to assist the reader in understanding the Association's financial statements. The financial statements and notes are representations of the Association's management, who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America ("GAAP") and have been consistently applied in the preparation of the financial statements.

Basis of Presentation

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with GAAP.

GAAP requires the Association to report information regarding its financial position and activities according to the following net assets classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be used for any purpose in performing the objectives of the Association.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some restrictions are temporary in nature; those restrictions will be met by actions of the Association or by the passage of time. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both or when then the donor releases the restriction. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized.

Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when received and are released when the assets are placed in service.

Revenue and other support are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions or by law. Expenses are reported as decreases in net assets without donor restrictions. Other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law.

Measure of Operations

The statement of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities reflect all transactions attributable to the Association's ongoing programs and other income. Nonoperating activities reflect transactions considered to be nonrecurring nature or not directly relating to the Association's mission.

Nonprofit Information Networking Association

Notes to Financial Statements

December 31, 2023

Cash and Equivalents

The Association considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Accounts Receivable

The Association extends credit to its customers in the ordinary course of business. After reviewing aged outstanding balances and giving consideration to the Association's overall collection history, a reserve for uncollectible accounts may be established. After all reasonable attempts to collect outstanding balances are exhausted, the accounts are written off.

Goodwill

Goodwill resulted from the acquisition of certain assets from another not-for-profit organization for an amount that exceeded the fair value of the net assets acquired. Financial accounting standards require the periodic evaluation of goodwill for impairment. An impairment loss is recognized if the carrying amount is not recoverable and exceeds fair value. Once recognized, an impairment loss is permanent and the adjusted carrying amount of the intangible asset is its new accounting basis. Subsequent reversal of a recognized impairment loss is prohibited. Management believes goodwill is fairly stated as of December 31, 2023 and 2022. There were no changes to the goodwill balances during the year ended December 31, 2023.

Property and Equipment

Property and equipment are recorded at cost, or if donated assets at fair value on the date contributed, less accumulated depreciation. Depreciation is calculated using the straight-line method over the lesser of the estimated useful lives of the assets. The useful lives range from three to seven years. The Association's policy is to capitalize all expenditures in excess of \$1,000 for property and equipment acquired and expense normal repairs and maintenance as incurred. The Association's management periodically evaluates whether events or circumstances have occurred indicating that the carrying amount of long-lived assets may not be recovered.

Revenue Recognition

Contributions

Contributions are recognized when cash, securities, other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give (that is, those with a measurable performance or other barrier and a right of return or release) are not recognized until the condition on which they depend have been substantially met. When collected prior to satisfaction of donor restrictions, amounts are reported as refundable advances. All contributions are considered to be net assets without donor restrictions unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restricted support. Contribution revenue is included with contributions of cash and financial assets and contributions of nonfinancial assets on the statements of activities. The balance of accounts receivable, net and grants receivable, net at December 31, 2022 was \$14,290 and \$226,287, respectively.

Magazine Subscriptions and Sales, Advertising, and Other Income

The performance obligation for magazine subscription and webinar sales and advertising revenue is the issuance of the corresponding media source. Advertising revenue is recognized at the time the advertising occurs since customers pay by issuance. Magazine subscription revenue is recognized over the subscription period. Other income consists primarily of royalty income that is recognized over the term copyrighted work is used by third parties.

The Association's revenues and cash flows are correlated to the general conditions of the economy. The payment terms vary based upon the customer credit risk and other factors. They are usually between one and four months.

Nonprofit Information Networking Association
Notes to Financial Statements
December 31, 2023

Revenue is recognized based upon the cash consideration that the Association expects to receive. For the magazine revenue, the cash consideration is the subscription fee and for advertising revenue, it is based on the type of advertising that is purchased.

The following summarizes the disaggregated revenue to customers by source as of December 31, 2023:

At a point in time:

Advertising	\$ 909,819
Other income	12,501

Over time:

Magazine subscription and sales	<u>366,261</u>
	<u>\$ 1,288,581</u>

Contributed Nonfinancial Assets

Donated services are recognized as contributions at their fair value in the period received in accordance with standards established by the Financial Accounting Standards Board ("FASB"). Only services that create or enhance nonfinancial assets, require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Association, are recognized as contributions. Donated advertising services received to support the mission of the Association, are recognized at their fair value, based upon current click rates charged by Google, as unrestricted revenue and expenses. During the year ended December 31, 2023, the Association received \$433,904 in donated online advertising services, which is the fair value of the services received.

Contract Balances

Contract balances consist of accounts receivable, net and grants receivable, net. The balance of accounts receivable, net at December 31, 2023 and 2022 was \$31,690 and \$14,290, respectively. The balance of grants receivable, net at December 31, 2023 and 2022 was \$0 and \$226,287, respectively.

There were contract liabilities of \$388,156 and \$320,783 at December 31, 2023 and 2022, respectively.

Estimates

The preparation of financial statements in conformity with GAAP 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include the allowances for doubtful accounts, deferred revenue, estimated useful lives assigned to property and equipment, amortization and the recoverability of long-lived assets and performing goodwill impairment analyses. Actual results could differ from those estimates.

Functional Allocation of Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. The vast majority of costs are programmatic in nature and are directly charged as such. Certain other costs have been allocated among programs and supporting services, including management and general and fundraising, based on the benefit received. Such allocations are determined by management on an equitable basis. Payroll and related taxes and benefits are allocated based on time and effort and all other expenses are allocated based on full-time equivalent.

Nonprofit Information Networking Association
Notes to Financial Statements
December 31, 2023

Compensated Absences

Eligible employees accrue vacation for time they work. Upon termination, the employees are entitled to receive payment of their unused balance. Based upon periodic reviews, management believes the amount to be immaterial at any given time. Accordingly, the Association's policy is to expense compensated absences when actually paid to employees.

Income Tax Status

The Association qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code ("IRC") and state taxes under similar provisions. As a not-for-profit entity, the Association is subject to unrelated business income tax ("UBIT"), if applicable. In accordance with FASB Accounting Standards Codification ("ASC") Topic 740, *Income Taxes*, the Association applies the "more likely than not" threshold to the recognition and derecognition of tax positions for its financial statements. The Association, in accordance with accounting standards regarding accounting for uncertainty in income taxes, has evaluated uncertain tax positions in accordance with accounting standards regarding accounting for contingencies and has determined it has no uncertain tax positions as of either December 31, 2023. Furthermore, there are no tax-related interest or penalties included in the financial statements.

Leases

The Association categorizes leases with contractual terms longer than twelve months as either operating or finance. Finance leases are generally those leases that allow the Association to substantially utilize or pay for the entire asset over its estimated life. All other leases are categorized as operating leases. Leases with contractual terms of 12 months or less are not recorded on the statement of financial position. The Association had no material finance or operating leases with contractual terms longer than twelve months for the year ended December 31, 2023.

Certain lease contracts include obligations to pay for other services, such as operations, property taxes, and maintenance. For leases of property, the Association accounts for these other services as a component of the lease. Lease assets are tested for impairment in the same manner as long-lived assets used in operations.

Options to extend lease terms, terminate leases before the contractual expiration date, or purchase the leased assets, are evaluated for their likelihood of exercise. If it is reasonably certain that the option will be exercised, the option is considered in determining the classification and measurement of the lease. Costs associated with operating lease assets are recognized on a straight-line basis within operating expenses over the term of the lease.

Advertising

The Association expenses advertising and promotion costs as they are incurred.

Subsequent Events

Management evaluated subsequent events through June 7, 2024, the date for which the financial statements were available to be issued. Based on this evaluation, management had determined that no subsequent events have occurred which require disclosure in the financial statements.

Nonprofit Information Networking Association
Notes to Financial Statements
December 31, 2023

3. AVAILABILITY AND LIQUIDITY

The following represents the Association's financial assets as of December 31, 2023:

Financial assets at year-end	
Cash and cash equivalents	\$ 2,623,883
Accounts receivable, net	<u>31,690</u>
Total financial assets	2,655,573
Less: Amounts not available to be used for general expenditures	
Net assets with donor restrictions	<u>(220,608)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 2,434,965</u>

The Association manages its financial assets to be available as its expenditures, liabilities, and other obligations become due. The timing of cash flows fluctuates based on the timing of the Association's contributions.

4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of December 31, 2023:

Equipment and software	\$ 76,336
Less: Accumulated depreciation	<u>(45,467)</u>
Net property and equipment, net	<u>\$ 30,869</u>

5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following as of December 31, 2023:

Restricted by purpose or time	
Health justice	\$ 120,608
General operations	<u>100,000</u>
	<u>\$ 220,608</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose, by the occurrence of the passage of time or by a change in the restrictions specified by the donor. Those amounts released from restrictions during the year ended December 31, 2023 are as follows:

Purpose and time of restriction accomplished	
Economic Justice	\$ 100,000
Health Justice Desk	104,000
General operations	<u>108,333</u>
	<u>\$ 312,333</u>

Nonprofit Information Networking Association
Notes to Financial Statements
December 31, 2023

6. EMPLOYEE BENEFIT PLAN

The Association provides retirement benefits to its employees through a defined contribution plan covering all full-time employees with six months of eligible experience. The Association contributed 5% of gross wages for employees as of December 31, 2023. Contributions totaled \$81,679 were made for the year ended December 31, 2023.

7. LEASE

The Association rents its office space on a month-to-month basis, with no formal lease agreement. Rent was due monthly in the amount of \$6,222 through June 2023, at which time the rent increased to \$6,844. Short term rent expense for the year ended December 31, 2023 totaled \$79,449.

8. EMPLOYEE RETENTION CREDIT

The Association applied for the employee retention credit in the amount of \$145,750. The credit was claimed against the Association's payroll tax obligations for each calendar quarter based on qualified wages, subject to certain limitations. For the year ended December 31, 2023, the Association recorded revenue totaling \$145,750 which is included in contributions of cash and financial assets revenue in the accompanying statement of activities. During 2023, the Association received the full amount of \$145,750.

9. MAJOR DONORS, CONCENTRATIONS OF CREDIT RISKS, AND UNCERTAINTIES

Concentration of Credit Risk

Financial instruments which potentially subject the Association to concentrations of credit risk consist principally of cash and cash equivalents and accounts receivable.

The Association has significant cash balances at financial institutions which throughout the year regularly exceed the federally insured limit of \$250,000. Any loss incurred or a lack of access to such funds could have a significant adverse impact on the Association's financial condition, change in net assets, and cash flows.

Uncertainty

The Association's revenues are traditionally made up of portions of earned and contributed revenue. Earned income consists primarily of subscription fees and advertising sales. Revenues generated from dues and subscriptions have historically been insufficient in relationship to their operating expenses. Consequently, the Association is dependent upon revenues from grants, contributions, and other sources.

Concentrations

As of December 31, 2023, approximately 87% of the Association's accounts receivable were from five pay sources, and approximately 71% of the Association's accounts payable were due to two vendors.

The Association's contributions come from various foundations, corporations, and individuals. For the year ended December 31, 2023, 47% of contributions were from three pay sources. The Association is highly dependent on donor contributions. There is risk to the extent that these contributions are not renewed each year.

Nonprofit Information Networking Association
Notes to Financial Statements
December 31, 2023

10. RESTATEMENT

Revenue recognized in 2022 relating to advertising, webinar and membership in the amount of \$353,304 should have been recognized in 2023. The correction to record this revenue in the proper period resulted in the restatement of the financial statements as of December 31, 2022 to reflect such prior period adjustment, as shown below.

	<u>2022 Restatement</u>
Accounts receivable, net, as previously reported	\$ 236,740
Prior period adjustment	<u>(222,450)</u>
Accounts receivable, net, as restated	<u>\$ 14,290</u>
Deferred revenue, as previously reported	\$ (189,929)
Prior period adjustment	<u>(130,854)</u>
Deferred revenue, as restated	<u>\$ (320,783)</u>
Net assets as of December 31, 2022, as previously reported	\$ 2,852,729
Prior period adjustment	<u>(353,304)</u>
Net assets as of December 31, 2022, as restated	<u>\$ 2,499,425</u>
Changes in net assets, as previously reported	\$ (71,987)
Prior period adjustment	<u>(353,304)</u>
Changes in net assets, as restated	<u>\$ (425,291)</u>