National Association of Insurance and Financial Advisors

Consolidated Financial Statements

For the Years Ended August 31, 2010 and 2009

and
Report Thereon

NATIONAL ASSOCIATION OF INSURANCE AND FINANCIAL ADVISORS, SUBSIDIARY AND AFFILIATE

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INDEPENDENT AUDITOR'S REPORT

RAFFA

CONSULTING
ACCOUNTING
TECHNOLOGY

Certified Public Accountants

To the Board of Trustees of the National Association of
Insurance and Financial Advisors, Subsidiary and Affiliate

We have audited the accompanying consolidated statements of financial position of the National Association of Insurance and Financial Advisors, Subsidiary and Affiliate (the Association) as of August 31, 2010 and 2009, and the related consolidated statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these 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 financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Association as of August 31, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The supplemental consolidating information is presented for purposes of additional analysis of the basic consolidated financial statements rather than to present the financial position, changes in net assets and cash flows of the individual entities. Such consolidating information has been subjected to the auditing procedures applied in our audits of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Raffa, P.C.

RAFFA, P.C.

Washington, DC
November 23, 2010

NATIONAL ASSOCIATION OF INSURANCE AND FINANCIAL ADVISORS, SUBSIDIARY AND AFFILIATE

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

August 31, 2010 and 2009

	2010	2009
ASSETS		
Cash and cash equivalents	$ 2,967,435	$ 1,467,790
Accounts receivable, net of allowance for doubtful accounts of $49,382 and $25,502 for 2010 and 2009, respectively	272,740	325,451
Prepaid expenses	750,776	738,927
Investments	1,471,526	2,232,051
Deposits and other assets	287,401	251,503
Net property and equipment	12,848,970	13,081,414
TOTAL ASSETS	$ 18,598,848	$ 18,097,136
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	$ 1,492,480	$ 1,188,297
Deferred dues	3,344,710	3,144,821
Other deferred revenue	1,189,034	1,212,312
Accrued pension and medical benefits	2,894,244	2,489,388
Note payable	10,092,618	10,361,334
TOTAL LIABILITIES	19,013,086	18,396,152
Net Assets		
Unrestricted		
Undesignated	1,562,455	1,307,430
Board designated	2,543,175	2,514,700
Accumulated net unrecognized actuarial loss	(4,519,868)	(4,121,146)
TOTAL NET (DEFICIT) ASSETS	(414,238)	(299,016)
TOTAL LIABILITIES AND NET ASSETS	$ 18,598,848	$ 18,097,136

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

NATIONAL ASSOCIATION OF INSURANCE AND FINANCIAL ADVISORS, SUBSIDIARY AND AFFILIATE

CONSOLIDATED STATEMENTS OF ACTIVITIES

For the Years Ended August 31, 2010 and 2009

	2010	2009
REVENUE AND OTHER SUPPORT		
Dues	$ 10,670,064	$ 9,999,894
Publications	1,579,885	1,972,941
Political and other contributions	1,471,737	1,532,978
Conferences and meetings	1,180,429	1,513,307
Rental income and service fees	574,171	640,093
Product sales, royalties and commissions	341,475	381,992
Awards	156,758	170,040
Education and professional development	128,689	155,480
Investment income (loss)	130,472	(224,107)
Other	88,876	91,286
TOTAL REVENUE AND OTHER SUPPORT	16,322,556	16,233,904
EXPENSES		
Program services		
Legislation, regulation and ethics	3,359,470	3,518,270
Support of state and local members	2,235,829	2,551,278
Publications and communication	2,058,961	2,192,586
Conference	1,088,405	1,177,234
Member benefits and professional development	1,032,029	1,132,145
Total program services	9,774,694	10,571,513
Supporting services		
Governance and administration	6,264,362	6,412,575
Total supporting services	6,264,362	6,412,575
TOTAL EXPENSES	16,039,056	16,984,088
Change in Unrestricted Net Assets Before the Unrecognized Actuarial Loss	283,500	(750,184)
Unrecognized actuarial loss, net of amortization	(398,722)	(1,617,145)
Change in Net Assets	(115,222)	(2,367,329)
NET (DEFICIT) ASSETS, BEGINNING OF YEAR	(299,016)	2,068,313
NET DEFICIT, END OF YEAR	$ (414,238)	$ (299,016)

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

NATIONAL ASSOCIATION OF INSURANCE AND FINANCIAL ADVISORS, SUBSIDIARY AND AFFILIATE

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended August 31, 2010 and 2009
Increase (Decrease) in Cash and Cash Equivalents

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ (115,222)	$ (2,367,329)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Unrealized (gain) loss on investments	(330,521)	132,101
Realized loss on sale of investments	265,782	210,732
Depreciation and amortization	607,457	595,021
Loss on disposal of property and equipment	8,739	-
Provision for doubtful accounts receivable	23,880	25,502
Changes in assets and liabilities:		
Accounts receivable	28,831	179,818
Prepaid expenses	(11,849)	23,667
Deposits and other assets	(35,898)	28,776
Accounts payable and accrued expenses	304,183	(325,546)
Deferred dues	199,889	(394,719)
Other deferred revenue	(23,278)	(248,932)
Accrued pension and medical benefits	404,856	1,440,625
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	1,326,849	(700,284)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(1,828,298)	(1,020,289)
Proceeds from the sale of investments	2,653,562	973,945
Purchases of property and equipment	(383,752)	(229,734)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	441,512	(276,078)
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings on line of credit	790,000	500,000
Repayments on line of credit	(790,000)	(500,000)
Repayments on note payable	(268,716)	(254,698)
NET CASH USED IN FINANCING ACTIVITIES	(268,716)	(254,698)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,499,645	(1,231,060)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,467,790	2,698,850
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 2,967,435	$ 1,467,790
SUPPLEMENTAL CASH FLOW INFORMATION		
Actual cash payments for interest	$ 553,191	$ 564,672

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

1. Organization and Summary of Significant Accounting Policies

Organization

The National Association of Insurance and Financial Advisors, Subsidiary and Affiliate (the Association) is a national federation of state and local associations and individual insurance agents and financial advisors. The mission of the Association is to advocate for a positive legislative and regulatory environment, enhance business and professional skills, and promote the ethical conduct of its members. These activities are funded primarily through membership dues.

Principles of Consolidation

The consolidated financial statements of the Association have been prepared on the accrual basis of accounting and include the accounts of the National Association of Insurance and Financial Advisors (NAIFA); its wholly-owned subsidiary, NAIFA Service Corporation (NAIFASC) and its affiliate, the NAIFA Political Action Committee (NAIFAPAC). All material inter-company balances and transactions are reported separately in the supplemental consolidating schedules and have been eliminated in consolidation.

NAIFA was formed in 1890 as the National Association of Life Underwriters. NAIFA is comprised of 680 state and local associations and approximately 50,000 individual insurance agents and financial advisors nationwide.

NAIFASC was incorporated in 1996 to publish NAIFA's official publication, *NAIFA's Advisor Today*.

NAIFAPAC was created to provide an opportunity for individuals interested in the goals of NAIFA to contribute to worthy candidates for federal office.

Cash and Cash Equivalents

The Association considers all money market funds to be cash equivalents.

Included in cash and cash equivalents as of August 31, 2010 and 2009 is $345,080 and $344,735, respectively, of cash held in escrow as described in Note 8 to these consolidated financial statements.

Continued

1. Organization and Summary of Significant Accounting Policies (continued)

Investments

Investments include equities, corporate bonds, mutual funds and government obligations which are recorded in the accompanying consolidated financial statements at their fair value, as based upon quoted market prices, as of August 31st.

Also included in investments as of August 31, 2010 is NAIFA's interest in a limited partnership considered to be an alternative investment as the partnership is not traded in an established market with published values. Additionally, access to participation in the partnership is limited and at the fund manager's discretion and approval and liquidation of the Association's interest may be subject to various restrictions imposed by the fund manager.

The purpose of the partnership is to invest, reinvest and trade in securities. The partnership may hold long and short positions in common stock, U.S. and foreign corporate and government fixed income securities, forward and futures contracts, commodities, repurchase agreements and various other derivatives. The estimated value for the alternative investment fund was provided by the Association's external investment manager and may be based upon historical cost, appraisals, obtainable prices for similar assets, or other estimates. The Association has adopted the provisions of the Financial Accounting Standards Board's (FASB's) Accounting Standards Update No. 2009-12, *Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, which permits, as a practical expedient, the fair value of certain alternative investments within its scope to be estimated using net asset value or its equivalent as reported by the investee. Because of the inherent uncertainty of the valuation of the Association's alternative investment, the value used for this investment may differ significantly from the value that would have been used had a ready market for the investment existed.

Fair Value of Financial Instruments

In accordance with the fair value measurements and disclosures topic of the FASB Accounting Standards Codification (ASC), the Association has categorized its applicable financial instruments into a required fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Continued

1. Organization and Summary of Significant Accounting Policies (continued)

Fair Value of Financial Instruments (continued)

Applicable financial assets and liabilities are categorized based on the inputs to the valuation techniques as follows:

Level 1

Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the Association has the ability to access. This classification is applied to any investment of the Association that has a readily available quoted market price from an active market where there is significant transparency in the executed/quoted market price.

Level 2

Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability, such as quoted prices for similarly structured securities in active markets. This classification is applied to investments of the Association that have evaluated prices received from fixed income vendors where the data inputs to these valuations do not represent quoted prices from an active market but do represent quoted prices of similarly structured securities.

Level 3

Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect assumptions by management of the Association about the assumptions a market participant would use in pricing the asset or liability. This classification is applied to investments of the Association for which there is no established trading market. Fair value is generally determined based on the fund's net asset value (NAV) as provided by the fund's management using a variety of methodologies relevant to the particular investment portfolio that combine primary market data available from national securities exchanges for underlying securities that are actively traded as well as other factors that lead to a determination of a fair value at a different amount.

As of and for the year ended August 31, 2010, only the Association's investments as described in Note 2 of these consolidated financial statements and the investments of the Association's defined benefit plan as described in Note 6 of these consolidated financial statements were measured at fair value on a recurring basis..

Continued

1. Organization and Summary of Significant Accounting Policies (continued)

Accounts Receivable

Accounts receivable consist primarily of amounts due for advertising in the Association's periodicals. The Association uses the allowance method to record potentially unallowable accounts.

Property and Equipment

Property and equipment are stated at cost. Depreciation is provided principally on a straight-line basis over the estimated useful lives of the respective assets, which range from three to ten years for furniture and equipment and forty years for the building and building improvements. Maintenance and repairs are charged to expense when incurred; major improvements are capitalized. Upon retirement or disposal of assets, the accounts are relieved of the cost and accumulated depreciation with any resulting gain or loss included in revenue or expense.

Classification of Net Assets

Unrestricted net assets represent the portion of expendable funds that are available for support of the Association's operations or have been designated by the Board for a particular purpose.

Revenue Recognition

Dues

Membership dues are recognized as revenue in the period to which the dues relate. Accordingly, dues paid by members in advance of the period to which they pertain are reflected in the accompanying consolidated statements of financial position as deferred dues.

Publications

Publication revenue, which includes advertising revenue, is recorded when the publication is shipped and is reported net of any discounts in the accompanying consolidated statements of activities. Subscription revenue is recorded as deferred subscription revenue upon subscription order and is recognized as revenue ratably over the subscription period. Deferred subscription revenue is included in other deferred revenue in the accompanying consolidated statements of financial position.

Contributions

Unrestricted contributions are reported as revenue in the year in which payments are received and/or unconditional promises are made.

Continued

1. Organization and Summary of Significant Accounting Policies (continued)

Revenue Recognition(continued)

Conferences and Meetings

Conferences and meetings revenue consists of registrations and exhibit and sponsorship fees and is recognized in the year in which the conference takes place. Revenue from these activities received in advance of the meeting is reported as other deferred revenue in the accompanying consolidated statements of financial position.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying consolidated statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services based upon estimates deemed to justify the benefits received by those programs and supporting services.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, actual results could differ from those estimates.

2. Investments

The Association's investments are summarized as follows:

	August 31, 2010		August 31, 2009	
	Cost	Fair Value	Cost	Fair Value
Limited partnership	$ 800,000	$ 795,830	$ -	$ -
Equities	675,185	675,696	1,629,326	1,320,898
Corporate bonds	-	-	490,857	497,707
Mutual funds	-	-	316,244	283,202
Government obligations	-	-	129,804	130,244
Total investments	$ 1,475,185	$1,471,526	$ 2,566,231	$ 2,232,051

Continued

2. Investments (continued)

Investment returns, including the interest on cash and cash equivalents, are summarized as follows:

	2010	2009
Interest and dividends	$ 65,733	$ 118,726
Realized loss	(265,782)	(210,732)
Unrealized gain (loss)	330,521	(132,101)
Total	$ 130,472	$ (224,107)

The Association has used the following fair value measurements as of August 31, 2010:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Limited partnership	$ 795,830	$ -	$ -	$ 795,830
Equities	675,696	675,696	-	-
Total	$ 1,471,526	$ 675,696	$ -	$ 795,830

The Association has used the following fair value measurements as of August 31, 2009:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equities	$ 1,320,898	$ 1,320,898	$ -	$ -
Corporate bonds	497,707	-	497,707	-
Mutual funds	283,202	79,875	203,327	-
Government obligations	130,244	-	130,244	-
Total	$ 2,232,051	$ 1,400,773	$ 831,278	$ -

Continued

2. Investments (continued)

Fair value measurements as of August 31, 2010 using significant unobservable inputs (Level 3) include the Association's alternative investment fund:

Beginning balance as of September 1, 2009	$ -
Purchases	800,000
Realized gains	-
Unrealized losses	(4,170)
Sales	-
Transfers in/out of Level 3	-
Balance as of August 31, 2010	$ 795,830

The total net unrealized loss of $4,170 for the year ended August 31, 2010 from the Association's alternative investment fund is from the one limited partnership which the Association first invested in during the year ended August 31, 2010 and which was held by the Association as of August 31, 2010.

The Association had no outstanding capital commitments as of August 31, 2010 to the alternative investment fund in which it holds an interest.

The Association's alternative investment fund generally allows for quarterly redemptions, with a 30 day notification. However, if, as of any withdrawal date, the aggregate amount that any limited partner seeks to withdraw exceeds 25% of the overall partnership's net asset value, the general partner may reduce the amount that all limited partners may withdraw as of that date. Additionally, the general partner may suspend the right of any partner to withdraw capital from the partnership if, in the general partner's judgment, such a suspension would be in the best interests of the partnership.

Continued

3. Property and Equipment

Property and equipment consist of the following:

	August 31, 2010	August 31, 2009
Building and building improvements	$ 14,579,419	$ 14,508,172
Furniture and equipment	2,115,096	1,945,296
Land	1,550,825	1,550,825
Subtotal	18,245,340	18,004,293
Less: Accumulated depreciation and amortization	(5,396,370)	(4,922,879)
Net property and equipment	$ 12,848,970	$ 13,081,414

Depreciation and amortization expense for the years ended August 31, 2010 and 2009 was $607,457 and $595,021, respectively.

4. Note Payable

In December 2005, NAIFA obtained an $11,250,000 loan from an insurance company. The note is secured by the Association's land and building in Falls Church, VA. The note has a ten-year term which commenced in January 2006. Interest accrues at an annual rate of 5.37%. Payments of interest and principal are due monthly. The note matures December 1, 2015 with a balloon principal payment in the amount of $8,449,812 due at that time. As of August 31, 2010 and 2009, the balance due was $10,092,618 and $10,361,334, respectively.

The schedule of future principal payments under this note as of August 31, 2010 is as follows:

For the Years Ending August 31,	
2011	$ 283,507
2012	299,112
2013	315,575
2014	332,945
2015	351,271
Thereafter	8,510,208
Total	$10,092,618

Continued

5. Net Assets

Unrestricted

Undesignated

Undesignated net assets represent the unrestricted portion of the net assets of NAIFA and NAIFAPAC as of August 31, 2010 and 2009.

Board Designated

Reserve Fund

During the year ended August 31, 2005, the Board of Trustees of NAIFA voted to adopt a written reserve policy to provide emergency funds to meet unforeseen budget shortfalls, to provide seed money for new initiatives or programs, and to provide a means for funding future debt service requirements and the replacement of capital assets. The reserve policy requires such funds to be maintained in a separate account and that all investment earnings on the account be re-invested.

During the year ended August 31, 2010, the Board approved the use of approximately $240,000 of board designated funds to fund tax reform legislation activities and added funds of approximately $200,000 to the reserve fund. During the year ended August 31, 2009, the Board approved the use of $1,010,000 of board designated funds to meet unforeseen operating cash flow requirements and to fund tax reform legislation activities.

The balance of the Reserve Fund as of August 31, 2010 and 2009 was $2,425,517 and $2,355,884, respectively and is reflected as board designated funds in the accompanying consolidated statements of financial position. The assets comprising the Reserve Fund include investments of NAIFA of $1,471,526 and $2,193,819, respectively, as of August 31, 2010 and 2009 plus $953,991 and $156,535, respectively, of cash and cash equivalents as of August 31, 2010 and 2009, and $5,530 of accrued interest as of August 31, 2009, which amounts are included in the consolidated statements of financial position.

Continued

5. Net Assets (continued)

Unrestricted (continued)

Board Designated (continued)

War Chest

These net assets totaling $117,658 and $158,816 as of August 31, 2010 and 2009, respectively, represent funds set aside by the Board of Trustees to respond to future legislative and regulatory initiatives, as needed. The assets comprising the War Chest reserve include cash and cash equivalents of $117,658 and $158,816, respectively, as of August 31, 2010 and 2009, which amounts are included in the consolidated statements of financial position.

6. Pension Plans

Defined Benefit Pension Plan

The Association maintains a noncontributory defined benefit pension plan (the Plan). Benefits are based upon years of service and employees' earnings during their years of employment. The Association's funding policy is to contribute annually based on actuarially determined funding amounts in accordance with ERISA guidelines. The Association adopted a resolution to freeze the defined benefit plan as of March 31, 2001, with the settlement date to be determined at a later date.

The measurement date for the following actuarial information was August 31st.

Obligations and Funded Status

	2010	2009
Projected benefit obligation	($ 8,520,800)	($ 7,569,645)
Fair value of plan assets	5,814,856	5,243,557
Funded status	($ 2,705,944)	($ 2,326,088)

Because the Plan has been frozen, the accumulated benefit obligation as of August 31, 2010 and 2009 of $8,520,800 and $7,569,645, respectively, is the same as the projected benefit obligation.

Continued

6. Pension Plans (continued)

Defined Benefit Pension Plan (continued)

Obligations and Funded Status (continued)

Amounts recognized in the accompanying consolidated statements of financial position consist of the following as of August 31:

	2010	2009
Accrued benefit cost	$ 2,705,944	$ 2,326,088

Items not yet recognized as a component of net periodic pension cost and included in unrestricted net assets include the following:

	2010	2009
Cumulative unrecognized actuarial loss	($4,519,868)	($4,121,146)

The unrecognized actuarial loss, net of amortization, was $398,722 and $1,617,145 for the years ended August 31, 2010 and 2009, respectively.

The amount of the cumulative unrecognized actuarial loss of $4,519,868 as of August 31, 2010 expected to be included in net periodic benefit cost for the year ending August 31, 2011 is $373,968.

Amounts recognized in the accompanying consolidated statements of activities consist of the following as of August 31:

	2010	2009
Net periodic benefit cost	$ 352,021	$ 213,850

Contributions and benefits paid for the years ended August 31, 2010 and 2009 were as follows:

	2010	2009
Employer contribution	$ 370,887	$ 348,402
Benefits paid	$ 196,060	$ 456,739

Continued

6. Pension Plans (continued)

Defined Benefit Pension Plan (continued)

Assumptions

Weighted average assumptions used in determining the benefit obligation and net periodic benefit cost as of August 31, 2010 and 2009 were as follows:

	2010	2009
Discount rate - benefit obligation	5.50%	6.25%
Discount rate - net periodic benefit cost	6.25%	6.75%
Expected long-term return on plan assets	7.50%	6.75%
Rate of compensation increase	N/A	N/A

The Association's approach to determine the overall expected long-term rate of return is to determine a best estimate based upon the historical average of the real rate of return (net of inflation).

Plan Assets

As the Plan is frozen, the Association's investment objectives of the Plan's assets include an approach that seeks to achieve stable investment values in order to terminate the Plan at some future date rather than an investment appreciation approach aimed at maximizing returns over the long term.

The Association uses a long-term risk controlled approach using diversified investment options in a prudent manner to meet future benefit payment obligations. The Association's policy provides that the Plan's investments shall be diversified by asset class and by investment style. The investments of the Plan were held by Wilmington Trust and Principal as of August 31, 2010 and 2009. The asset allocation is reviewed and approved at least semi-annually by the Investment Committee.

The Association's target long term strategic asset allocation is for 65% equities and 35% fixed income and cash equivalents. The overall Plan asset allocation has an expected average annual return of 8.0% over a five year period. The average annual real rate of return, adjusted for inflation, is to be equal to or exceed 4.0% over a five year period.

Continued

6. Pension Plans (continued)

Defined Benefit Pension Plan (continued)

Plan Assets (continued)

The Association's pension plan assets as of August 31, 2010 by asset category, using the fair value input measurements as outlined in Note 1 to these financial statements, was as follows:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity mutual funds (a)	$ 3,253,381	$3,253,381	$ -	$ -
Fixed income mutual funds (b)	2,217,001	2,217,001	-	-
Real estate funds (c)	240,704	176,113	-	64,591
Money market fund	103,770	103,770	-	-
Total	$ 5,814,856	$ 5,750,265	$ -	$ 64,591

(a) This category includes actively traded equity mutual funds. 38% of the mutual funds are growth funds, 29% are dividend funds, 14% are value funds, 12% are small/mid cap opportunity funds and 7% are developing market funds.

(b) This category includes actively traded fixed income mutual funds. 54% of the mutual funds are total return funds, 16% are international bond funds, 16% are total return funds which include approximately 75% bonds and 25% equities and 14% are high yield funds.

(c) This category includes an actively traded real estate value mutual fund and a real estate pooled fund. The real estate pooled fund invests the majority of its assets in commercial real estate holdings. The property holdings usually contain real estate from the multi-family, office, warehouse/manufacturing and retail sectors. Funds may not be available for immediate withdrawal.

Continued

6. Pension Plans (continued)

Defined Benefit Pension Plan (continued)

Plan Assets (continued)

Fair value measurements as of August 31, 2010 using significant unobservable inputs (Level 3) include the Association's one real estate investment fund which was held as of August 31, 2009 and 2010:

Beginning balance as of September 1, 2009	$ 229,531
Purchases	-
Realized losses	(4,514)
Unrealized losses	(8,082)
Sales	(152,344)
Transfers in/out of Level 3	-
Balance as of August 31, 2010	$ 64,591

Contributions

Generally, the Association's funding policy is to contribute annually the actuarially determined minimum funding amount in accordance with ERISA guidelines. Management of the Association, based upon projections from its actuary using prior year information, expects to contribute approximately $371,000 to its pension plan during the year ending August 31, 2011.

Estimated Future Benefit Payments

Estimated future benefit payments over the next ten years are expected to be paid as follows:

For the Years Ending August 31,	
2011	$ 360,698
2012	411,293
2013	422,206
2014	422,687
2015	452,275
Years 2016 - 2020	2,675,339

Continued

6. Pension Plans (continued)

Defined Contribution Plan

The Association also has a defined contribution 401(k) plan for employees meeting certain eligibility requirements. Under the terms of the defined contribution plan, eligible employees may elect to contribute up to the Federal tax limitation. The employer contribution is discretionary. Employees are fully vested after five years. The Association's contribution to the Plan was $113,827 and $240,214 for the years ended August 31, 2010 and 2009, respectively.

7. Commitments and Contingencies

Contractual Commitments

The Association has entered into various letters of agreement for commitments for hotel accommodations for its planned conferences through September 2016. In the event the Association were to cancel these reservations or fail to use a specified percentage of the total space reserved, the Association would be required to pay liquidated damages based upon the date the hotel was notified of the cancellation or reduction in requested rooms as well as the hotel's ability to fill the resulting vacancies. Management of the Association does not believe that any of these commitments will result in a loss due to liquidated damages. Accordingly, no amount for this potential liability has been reflected in the accompanying consolidated financial statements.

Concentration of Credit Risk

The cash and cash equivalents of the Association are comprised of amounts in accounts at various financial institutions. While the amounts at times exceed the amount guaranteed by federal agencies and therefore bear some risk, the Association places its cash and cash equivalents with high credit, quality financial institutions and seeks to limit the amount of credit exposure. The Association has not experienced, nor does it anticipate, any loss of funds. As of August 31, 2010 and 2009, the amount in excess of the amount guaranteed by federal agencies was $2,085,682 and $731,784, respectively.

Financial Support to Related Entities

Management of NAIFA has represented that it intends to provide financial support to NAIFASC sufficient to ensure the continued operations of NAIFASC.

Continued

8. Lease Agreements

The Association leases office space in the building it owns to various related and unrelated entities. Many of the leases contain a fixed escalation clause for increases in the annual minimum rent. Under accounting principles generally accepted in the United States of America, all fixed rent increases are recognized on a straight-line basis over the term of the lease. The difference between this income and the required lease payments to be received is reflected as deferred rent receivable and is included in accounts receivable in the accompanying consolidated statements of financial position.

During the year ended August 31, 2008, one of the Association's building tenants terminated their lease early. The Association received a payment of $343,910 from this tenant in conjunction with the lease termination. The holder of the Association's note payable required this payment to be deposited in escrow upon receipt and restricted for future use in offsetting certain costs associated with obtaining a replacement tenant. As of August 31, 2010 and 2009, the proceeds from this lease termination are included in cash and cash equivalents in the accompanying consolidated statements of financial position.

As of August 31, 2010, future minimum rentals under all of these leases are as follows:

For the Years Ending August 31,	
2011	$ 432,372
2012	471,074
2013	484,097
2014	497,493
2015	503,083
Thereafter	66,778
Total	$ 2,454,897

9. Related Parties

Life and Health Insurance Foundation for Education (LIFE)

The board of directors of LIFE is appointed by LIFE's six members. For the year ended August 31, 2010, NAIFA represented one of LIFE's six members. For the year ended August 31, 2009, NAIFA and its unincorporated conference, AHIA, each represented a member of LIFE. During the years ended August 31, 2010 and 2009, the Association was billed $434,539 and $425,980 from LIFE for membership dues.

9. Related Parties (continued)

GAMA

GAMA was an unincorporated conference of NAIFA. In January 2003 the board of NAIFA approved an agreement whereby GAMA would separately incorporate from NAIFA effective September 1, 2003. Under the terms of the agreement, NAIFA retains control over the approval of all bylaw amendments of GAMA and all members of GAMA are required to be members of NAIFA.

Effective September 1, 2003, GAMA entered into a seven year office lease with NAIFA for space in the NAIFA headquarters building and a service agreement with NAIFA for information systems support, database management and various office furnishings and equipment. In May 2008, an amendment to this lease agreement was entered into to extend the lease term through August 31, 2015. Effective December 2009, NAIFA no longer provides information systems or database management to GAMA. NAIFA billed GAMA $191,148 and $253,349 during the years ended August 31, 2010 and 2009, respectively, under the terms of these two agreements. Additionally, GAMA owed NAIFA $8,418 and $20,804 as of August 31, 2010 and 2009, respectively, for office space build-out and miscellaneous office charges. These amounts are included in accounts receivable in the accompanying consolidated statements of financial position.

10. Income Taxes

NAIFA is exempt from federal income taxes under Section 501(c)(6) of the Internal Revenue Code. However, income from certain activities not directly related to NAIFA's tax-exempt purpose are subject to taxation as unrelated business income. NAIFA generates unrelated business income from commissions it receives from a professional liability insurance program, advertising and rental income.

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective tax basis and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized as income or expense in the period that includes the enactment date.

Continued

10. Income Taxes (continued)

NAIFA had an accumulated federal net operating tax loss carryforward of approximately $569,000 as of August 31, 2010. This tax loss carryforward begins to expire in the year 2025. The related deferred tax asset of approximately $227,000 resulting from the net operating loss carryforward was fully reserved by management due to the uncertainty over the ability to recognize any future tax benefit based upon projections for taxable losses.

The provision for income tax for NAIFA was approximately $3,000 for the year ended August 31, 2009 and is included in governance and administration expenses in the accompanying consolidated statements of activities.

NAIFAPAC is subject to federal and state income taxes on income other than exempt purpose income. For the years ended August 31, 2010 and 2009, no provision for income tax was required as NAIFAPAC did not generate any significant net taxable income.

NAIFASC is subject to federal and state income taxes and files separate federal and applicable state income tax returns. Temporary differences that give rise to the deferred tax assets are comprised of the difference between the financial statement carrying amount and the tax basis of net operating loss carryforwards, bad debt allowance reserves and payroll liabilities. NAIFASC had a net federal tax operating loss carryforward of approximately $800,000 and $300,000 for the years ended August 31, 2010 and 2009, respectively. This loss carryforward may be used to offset future taxable income and begins to expire in 2029.

The deferred tax asset as of August 31, 2010 and 2009 has been fully reserved by management due to the uncertainty over the ability to recognize any future tax benefit based upon projections for operating and taxable losses.

The Association reviews and assesses all activities annually to identify any changes in the scope of the activities and revenue sources and the tax treatment thereof to identify any uncertain tax positions. For the years ended August 31, 2010 and 2009, management did not identify any uncertain tax positions requiring recognition or disclosure in these consolidated financial statements. Tax years reasonably considered open and subject to examination include returns for the years ended August 31, 2007 through the year ended August 31, 2009.

Continued

10. Income Taxes (continued)

The net deferred tax asset consists of the following as of August 31 2010 and 2009:

	2010	2009
Deferred tax assets:		
NAIFA	$ 227,000	$ -
NAIFASC	276,400	102,095
Deferred tax liability	(-)	(-)
Subtotal	503,400	102,095
Deferred tax valuation allowance – NAIFA	(227,000)	-
Deferred tax valuation allowance - NAIFASC	(276,400)	(102,095)
Net deferred tax assets	$ -	$ -

11. Reclassifications

Certain 2009 amounts have been reclassified to conform with the 2010 financial statement presentation.

12. Subsequent Events

The Association's management has evaluated subsequent events through November 23, 2010, the date the financial statements were available to be issued. There were no subsequent events identified through November 23, 2010 required to be disclosed in these consolidated financial statements.

SUPPLEMENTAL INFORMATION

NATIONAL ASSOCIATION OF INSURANCE AND FINANCIAL ADVISORS, SUBSIDIARY AND AFFILIATE

SUPPLEMENTAL CONSOLIDATING STATEMENT OF FINANCIAL POSITION

August 31, 2010

	NAIFA	NAIFAPAC	NAIFASC	Total	Eliminations	Total
ASSETS						
Cash and cash equivalents	$ 2,225,823	$ 675,030	$ 66,582	$ 2,967,435	$ -	$ 2,967,435
Net accounts receivable	183,000	-	126,885	309,885	(37,145)	272,740
Prepaid expenses	745,403	-	5,373	750,776	-	750,776
Investments	1,471,526	-	-	1,471,526	-	1,471,526
Investment in NAIFASC	30,334	-	-	30,334	(30,334)	-
Deposits and other assets	287,401	-	6,031	293,432	(6,031)	287,401
Net property and equipment	12,848,970	-	-	12,848,970	-	12,848,970
TOTAL ASSETS	$ 17,792,457	$ 675,030	$ 204,871	$ 18,672,358	$ (73,510)	$ 18,598,848
LIABILITIES						
Accounts payable and accrued expenses	$ 1,358,731	$ 133,050	$ 36,680	$ 1,528,461	$ (35,981)	$ 1,492,480
Deferred dues	3,344,710	-	-	3,344,710	-	3,344,710
Other deferred revenue	1,058,372	-	137,857	1,196,229	(7,195)	1,189,034
Accrued pension and medical benefits	2,894,244	-	-	2,894,244	-	2,894,244
Note payable	10,092,618	-	-	10,092,618	-	10,092,618
TOTAL LIABILITIES	18,748,675	133,050	174,537	19,056,262	(43,176)	19,013,086
NET ASSETS						
Unrestricted						
Undesignated	1,020,475	541,980	-	1,562,455	-	1,562,455
Board Designated	2,543,175	-	-	2,543,175	-	2,543,175
Accumulated net unrecognized actuarial loss	(4,519,868)	-	-	(4,519,868)	-	(4,519,868)
TOTAL NET (DEFICIT) ASSETS	(956,218)	541,980	-	(414,238)	-	(414,238)
STOCKHOLDER'S EQUITY						
Common stock	-	-	1,000	1,000	(1,000)	-
Treasury stock	-	-	(10,000)	(10,000)	10,000	-
Additional paid-in capital	-	-	1,116,189	1,116,189	(1,116,189)	-
Retained earnings	-	-	(1,076,855)	(1,076,855)	1,076,855	-
TOTAL STOCKHOLDER'S EQUITY	-	-	30,334	30,334	(30,334)	-
TOTAL LIABILITIES AND NET ASSETS	$ 17,792,457	$ 675,030	$ 204,871	$ 18,672,358	$ (73,510)	$ 18,598,848

NATIONAL ASSOCIATION OF INSURANCE AND
FINANCIAL ADVISORS, SUBSIDIARY AND AFFILIATE

SUPPLEMENTAL CONSOLIDATING STATEMENT OF FINANCIAL POSITION

August 31, 2009

	NAIFA	NAIFAPAC	NAIFASC	Total	Eliminations	Total
ASSETS						
Cash and cash equivalents	$ 1,000,885	$ 417,102	$ 49,803	$ 1,467,790	$ -	$ 1,467,790
Net accounts receivable	181,173	-	150,969	332,142	(6,691)	325,451
Prepaid expenses	731,798	-	7,129	738,927	-	738,927
Investments	2,232,051	-	-	2,232,051	-	2,232,051
Investment in NAIFASC	(8,919)	-	-	(8,919)	8,919	-
Deposits and other assets	245,472	-	6,031	251,503	-	251,503
Net property and equipment	13,081,414	-	-	13,081,414	-	13,081,414
TOTAL ASSETS	$ 17,463,874	$ 417,102	$ 213,932	$ 18,094,908	$ 2,228	$ 18,097,136
LIABILITIES						
Accounts payable and accrued expenses	$ 1,050,594	$ 103,145	$ 41,249	$ 1,194,988	$ (6,691)	$ 1,188,297
Deferred dues	3,144,821	-	-	3,144,821	-	3,144,821
Other deferred revenue	1,030,710	-	181,602	1,212,312	-	1,212,312
Accrued pension and medical benefits	2,489,388	-	-	2,489,388	-	2,489,388
Note payable	10,361,334	-	-	10,361,334	-	10,361,334
TOTAL LIABILITIES	18,076,847	103,145	222,851	18,402,843	(6,691)	18,396,152
NET ASSETS						
Unrestricted						
Undesignated	993,473	313,957	-	1,307,430	-	1,307,430
Board Designated	2,514,700	-	-	2,514,700	-	2,514,700
Accumulated net unrecognized actuarial loss	(4,121,146)	-	-	(4,121,146)	-	(4,121,146)
TOTAL NET (DEFICIT) ASSETS	(612,973)	313,957	-	(299,016)	-	(299,016)
STOCKHOLDER'S EQUITY						
Common stock	-	-	1,000	1,000	(1,000)	-
Treasury stock	-	-	(10,000)	(10,000)	10,000	-
Additional paid-in capital	-	-	563,914	563,914	(563,914)	-
Retained earnings	-	-	(563,833)	(563,833)	563,833	-
TOTAL STOCKHOLDER'S EQUITY	-	-	(8,919)	(8,919)	8,919	-
TOTAL LIABILITIES AND NET ASSETS	$ 17,463,874	$ 417,102	$ 213,932	$ 18,094,908	$ 2,228	$ 18,097,136

NATIONAL ASSOCIATION OF INSURANCE AND FINANCIAL ADVISORS, SUBSIDIARY AND AFFILIATE

SUPPLEMENTAL CONSOLIDATING STATEMENT OF ACTIVITIES

For the Year Ended August 31, 2010

	NAIFA	NAIFAPAC	NAIFASC	Total	Eliminations	Total
REVENUE AND OTHER SUPPORT						
Dues	$10,670,064	$ -	$ -	$10,670,064	$ -	$10,670,064
Publications	2,545	-	1,610,660	1,613,205	(33,320)	1,579,885
Political and other contributions	124,783	1,361,954	-	1,486,737	(15,000)	1,471,737
Conferences and meetings	1,180,429	-	-	1,180,429	-	1,180,429
Rental income and service fees	985,663	-	-	985,663	(411,492)	574,171
Product sales, royalties and commissions	473,091	-	-	473,091	(131,616)	341,475
Awards	156,758	-	-	156,758	-	156,758
Education and professional development	128,689	-	-	128,689	-	128,689
Investment income	129,817	655	-	130,472	-	130,472
Other	88,863	-	121	88,984	(108)	88,876
TOTAL REVENUE AND OTHER SUPPORT	13,940,702	1,362,609	1,610,781	16,914,092	(591,536)	16,322,556
EXPENSES						
Program services						
Legislation, regulation and ethics	2,240,595	1,134,586	-	3,375,181	(15,711)	3,359,470
Support of state and local members	2,247,379	-	-	2,247,379	(11,550)	2,235,829
Publications and communication	476,260	-	1,715,175	2,191,435	(132,474)	2,058,961
Conference	1,094,510	-	-	1,094,510	(6,105)	1,088,405
Member benefits and professional development	1,049,098	-	-	1,049,098	(17,069)	1,032,029
Total program services	7,107,842	1,134,586	1,715,175	9,957,603	(182,909)	9,774,694
Supporting services						
Governance and administration	6,264,361	-	408,628	6,672,989	(408,627)	6,264,362
Total supporting services	6,264,361	-	408,628	6,672,989	(408,627)	6,264,362
TOTAL EXPENSES	13,372,203	1,134,586	2,123,803	16,630,592	(591,536)	16,039,056
EQUITY IN EARNINGS OF SUBSIDIARY NAIFASC	(513,022)	-	-	(513,022)	513,022	-
CHANGE IN UNRESTRICTED NET ASSETS	$ 55,477	$ 228,023	$ (513,022)	$ (229,522)	$ 513,022	$ 283,500
Unrecognized actuarial loss, net of amortization	(398,722)	-	-	(398,722)	-	(398,722)
CHANGE IN NET ASSETS	$ (343,245)	$ 228,023	$ (513,022)	$ (628,244)	$ 513,022	$ (115,222)

NATIONAL ASSOCIATION OF INSURANCE AND FINANCIAL ADVISORS, SUBSIDIARY AND AFFILIATE

SUPPLEMENTAL CONSOLIDATING STATEMENT OF ACTIVITIES

For the Year Ended August 31, 2009

	NAIFA	NAIFAPAC	NAIFASC	Total	Eliminations	Total
REVENUE AND OTHER SUPPORT						
Dues	$ 9,999,894	$ -	$ -	$ 9,999,894	$ -	$ 9,999,894
Publications	9,733	-	1,979,946	1,989,679	(16,738)	1,972,941
Political and other contributions	169,136	1,373,842	-	1,542,978	(10,000)	1,532,978
Conferences and meetings	1,513,307	-	-	1,513,307	-	1,513,307
Rental income and service fees	1,068,791	-	-	1,068,791	(428,698)	640,093
Product sales, royalties and commissions	536,362	-	-	536,362	(154,370)	381,992
Awards	170,040	-	-	170,040	-	170,040
Education and professional development	155,480	-	-	155,480	-	155,480
Investment (loss) income	(229,639)	4,245	1,287	(224,107)	-	(224,107)
Other	91,222	-	963	92,185	(899)	91,286
TOTAL REVENUE AND OTHER SUPPORT	13,484,326	1,378,087	1,982,196	16,844,609	(610,705)	16,233,904
EXPENSES						
Program services						
Legislation, regulation and ethics	2,186,651	1,343,800	-	3,530,451	(12,181)	3,518,270
Support of state and local members	2,553,503	-	-	2,553,503	(2,225)	2,551,278
Publications and communication	484,130	-	1,862,826	2,346,956	(154,370)	2,192,586
Conference	1,180,839	-	-	1,180,839	(3,605)	1,177,234
Member benefits and professional development	1,143,633	-	-	1,143,633	(11,488)	1,132,145
Total program services	7,548,756	1,343,800	1,862,826	10,755,382	(183,869)	10,571,513
Supporting services						
Governance and administration	6,414,259	-	425,152	6,839,411	(426,836)	6,412,575
Total supporting services	6,414,259	-	425,152	6,839,411	(426,836)	6,412,575
TOTAL EXPENSES	13,963,015	1,343,800	2,287,978	17,594,793	(610,705)	16,984,088
EQUITY IN EARNINGS OF SUBSIDIARY NAIFASC	(305,782)	-	-	(305,782)	305,782	-
CHANGE IN UNRESTRICTED NET ASSETS	$ (784,471)	$ 34,287	$ (305,782)	$ (1,055,966)	$ 305,782	$ (750,184)
Unrecognized actuarial loss, net of amortization	(1,617,145)	-	-	(1,617,145)	-	(1,617,145)
CHANGE IN NET ASSETS	$ (2,401,616)	$ 34,287	$ (305,782)	$ (2,673,111)	$ 305,782	$ (2,367,329)