



**NATIONAL ASSOCIATION OF INSURANCE  
AND FINANCIAL ADVISORS, SUBSIDIARY  
AND AFFILIATE**

**Consolidated Financial Statements**

*For the Years Ended August 31, 2011 and 2010*



**and**

**Report Thereon**



**NATIONAL ASSOCIATION OF INSURANCE AND  
FINANCIAL ADVISORS, SUBSIDIARY AND AFFILIATE**

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**For the Years Ended August 31, 2011 and 2010**

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## INDEPENDENT AUDITOR'S REPORT

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

CONSULTING  
ACCOUNTING  
TECHNOLOGY

*Certified Public  
Accountants*

We have audited the accompanying consolidated statements of financial position of the National Association of Insurance and Financial Advisors (NAIFA), Subsidiary and Affiliate (collectively referred to as the Association) as of August 31, 2011 and 2010, and the related consolidated statements of activities and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Association's management. 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 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 consolidated 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, 2011 and 2010, 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 conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental consolidating information is presented for purposes of additional analysis of the 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 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  
December 21, 2011

**NATIONAL ASSOCIATION OF INSURANCE AND  
FINANCIAL ADVISORS, SUBSIDIARY AND AFFILIATE  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
August 31, 2011 and 2010**

	2011	2010
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,900,852	\$ 2,967,435
Accounts receivable, net of allowance for doubtful accounts of \$17,300 and \$49,382 for 2011 and 2010, respectively	254,105	193,584
Deferred rent receivable	203,184	79,156
Prepaid expenses	730,098	750,776
Investments	1,907,681	1,471,526
Deposits and other assets	714,491	287,401
Net property and equipment	12,484,854	12,848,970
<b>TOTAL ASSETS</b>	<b>\$ 19,195,265</b>	<b>\$ 18,598,848</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 1,239,682	\$ 1,492,480
Deferred dues	3,207,533	3,344,710
Other deferred revenue	1,168,392	1,189,034
Accrued pension and medical benefits	2,595,850	2,894,244
Note payable	9,809,111	10,092,618
<b>TOTAL LIABILITIES</b>	<b>18,020,568</b>	<b>19,013,086</b>
<b>Net Assets</b>		
Unrestricted		
Undesignated	2,366,942	1,562,455
Board designated	3,016,227	2,543,175
Accumulated net unrecognized actuarial loss	(4,208,472)	(4,519,868)
<b>TOTAL NET (DEFICIT) ASSETS</b>	<b>1,174,697</b>	<b>(414,238)</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 19,195,265</b>	<b>\$ 18,598,848</b>

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, 2011 and 2010**

	2011	2010
REVENUE AND OTHER SUPPORT		
Dues	\$ 12,034,482	\$ 10,670,064
Publications	779,929	1,579,885
Political and other contributions	1,495,281	1,471,737
Conferences and meetings	1,155,833	1,180,429
Rental income and service fees	644,904	574,171
Product sales, royalties and commissions	287,343	341,475
Awards	152,982	156,758
Education and professional development	136,064	128,689
Investment (loss) income	(85,290)	130,472
Other	106,849	88,876
	<u>16,708,377</u>	<u>16,322,556</u>
TOTAL REVENUE AND OTHER SUPPORT		
EXPENSES		
Program services		
Legislation, regulation and ethics	4,011,009	3,359,470
Support of state and local members	2,040,320	2,235,829
Publications and communication	1,330,921	2,058,961
Conference	1,091,886	1,088,405
Member benefits and professional development	1,006,661	1,032,029
	<u>9,480,797</u>	<u>9,774,694</u>
Total program services		
Supporting services		
Governance and administration	5,950,041	6,264,362
	<u>5,950,041</u>	<u>6,264,362</u>
Total supporting services		
TOTAL EXPENSES	<u>15,430,838</u>	<u>16,039,056</u>
Change in Net Assets Before Non-Operating Activities	<u>1,277,539</u>	<u>283,500</u>
Change in Unrestricted Net Assets Before Unrecognized Actuarial Gain (Loss)	1,277,539	283,500
Unrecognized actuarial gain (loss), net of amortization	311,396	(398,722)
Change in Net Assets	1,588,935	(115,222)
NET DEFICIT, BEGINNING OF YEAR	<u>(414,238)</u>	<u>(299,016)</u>
NET ASSETS (DEFICIT), END OF YEAR	<u>\$ 1,174,697</u>	<u>\$ (414,238)</u>

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, 2011 and 2010  
Increase (Decrease) in Cash and Cash Equivalents

	2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 1,588,935	\$ (115,222)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Unrealized loss (gain) on investments	63,143	(330,521)
Realized loss on sale of investments	38,474	265,782
Depreciation and amortization	640,956	607,457
(Gain) loss on disposal of property and equipment	(6,638)	8,739
Provision for doubtful accounts receivable	(32,082)	23,880
Changes in assets and liabilities:		
Accounts receivable	(28,439)	60,421
Deferred rent receivable	(124,028)	(31,590)
Prepaid expenses	20,678	(11,849)
Deposits and other assets	(427,090)	(35,898)
Accounts payable and accrued expenses	(252,798)	304,183
Deferred dues	(137,177)	199,889
Other deferred revenue	(20,642)	(23,278)
Accrued pension and medical benefits	(298,394)	404,856
	<b>1,024,898</b>	<b>1,326,849</b>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investments	(3,665,994)	(1,828,298)
Proceeds from the sale of investments	3,128,222	2,653,562
Purchases of property and equipment	(286,908)	(383,752)
Proceeds from the disposal of property and equipment	16,706	-
	<b>(807,974)</b>	<b>441,512</b>
<b>NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES</b>		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Borrowings on line of credit	-	790,000
Repayments on line of credit	-	(790,000)
Repayments on note payable	(283,507)	(268,716)
	<b>(283,507)</b>	<b>(268,716)</b>
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(66,583)</b>	<b>1,499,645</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>2,967,435</b>	<b>1,467,790</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 2,900,852</b>	<b>\$ 2,967,435</b>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Actual cash payments for interest	<b>\$ 535,063</b>	<b>\$ 553,191</b>

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

**NATIONAL ASSOCIATION OF INSURANCE AND  
FINANCIAL ADVISORS, SUBSIDIARY AND AFFILIATE**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the Years Ended August 31, 2011 and 2010

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

Organization

The National Association of Insurance and Financial Advisors (NAIFA), Subsidiary and Affiliate (collectively referred to as 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 650 state and local associations and approximately 46,000 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, 2011 and 2010, is \$276,884 and \$345,080, respectively, of cash held in escrow as described in Note 8 to these consolidated financial statements.

**NATIONAL ASSOCIATION OF INSURANCE AND  
FINANCIAL ADVISORS, SUBSIDIARY AND AFFILIATE**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
For the Years Ended August 31, 2011 and 2010**

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

Investments

Investments as of August 31, 2011 consist of NAIFA's interest in a limited partnership which invests, reinvests, and trades in securities including long and short positions in common stock, exchange-traded funds (ETFs), closed-end funds, and call and put options. Investments as of August 31, 2010 include NAIFA's interest in the limited partnership as well as various mutual and exchange traded funds. Investments are recorded in the accompanying consolidated statements of financial position at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. For disclosure of inputs and valuation techniques, see Note 2. Interest income is recorded as earned. Realized and unrealized gains (losses) on investments are reported as unrestricted gains (losses). Purchases and sales are reflected on a trade-date basis. The cost of securities sold is based on the average cost method.

Fair Value of Financial Instruments

In accordance with the fair value measurements and disclosures topic of the Financial Accounting Standards Board (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.

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.



**NATIONAL ASSOCIATION OF INSURANCE AND  
FINANCIAL ADVISORS, SUBSIDIARY AND AFFILIATE**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the Years Ended August 31, 2011 and 2010

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

Fair Value of Financial Instruments (continued)

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. It also includes the limited partnership which can be redeemed in the near term. The fair value for the limited partnership is generally determined based on the fund's net asset value (NAV) as provided by the fund's management. Accounting Standards Update No. 2009-12, *Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent)*, permits, as a practical expedient, fair value of investments within its scope to be estimated using NAV or its equivalent.

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.

During the year ended August 31, 2011, the Association adopted FASB Accounting Standards Update (ASU) 2010-06, *Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements*, which requires additional disclosure about fair value measurements to further increase transparency.

As of and for the years ended August 31, 2011 and 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.

**NATIONAL ASSOCIATION OF INSURANCE AND  
FINANCIAL ADVISORS, SUBSIDIARY AND AFFILIATE**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the Years Ended August 31, 2011 and 2010

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**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 and the amounts due from the Industry Awards program as of August 31, 2010 and 2011, respectively. 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. Effective January 1, 2011, the Association has outsourced the publication of NAIFA's official publication, *NAIFA's Advisor Today*, to a third party for an agreed upon monthly fee.

**NATIONAL ASSOCIATION OF INSURANCE AND  
FINANCIAL ADVISORS, SUBSIDIARY AND AFFILIATE**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
For the Years Ended August 31, 2011 and 2010**

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

Revenue Recognition (continued)

Contributions

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

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, 2011		August 31, 2010	
	Cost	Fair Value	Cost	Fair Value
Limited partnership	\$ 2,000,000	\$ 1,907,681	\$ 800,000	\$ 795,830
Mutual Funds and ETFs	-	-	675,185	675,696
Total Investments	\$ 2,000,000	\$ 1,907,681	\$ 1,475,185	\$ 1,471,526

Continued

**NATIONAL ASSOCIATION OF INSURANCE AND  
FINANCIAL ADVISORS, SUBSIDIARY AND AFFILIATE**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

For the Years Ended August 31, 2011 and 2010

**2. Investments (continued)**

Investment returns, including the interest on cash and cash equivalents, are summarized as follows as of August 31:

	2011	2010
Interest and dividends	\$ 16,327	\$ 65,733
Realized loss	(38,474)	(265,782)
Unrealized gain (loss)	(63,143)	330,521
Total	\$ (85,290)	\$ 130,472

The following table summarizes the Association's investments measured at fair value on a recurring basis as of August 31, 2011:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Limited partnership	\$ 1,907,681	\$ -	\$ 1,907,681	\$ -
Total	\$ 1,907,681	\$ -	\$ 1,907,681	\$ -

The following table summarizes the Association's investments measured at fair value on a recurring basis 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
Mutual Funds:				
U.S. multisector bond	64,630	64,630	-	-
Exchange Traded Funds:				
U.S. Government obligations	205,548	205,548	-	-
Short term bonds	163,439	163,439	-	-
Currency	115,465	115,465	-	-
Trading – miscellaneous	64,520	64,520	-	-
Municipal bonds	62,094	62,094	-	-
Total	\$ 1,471,526	\$ 675,696	\$ -	\$ 795,830

Continued

**NATIONAL ASSOCIATION OF INSURANCE AND  
FINANCIAL ADVISORS, SUBSIDIARY AND AFFILIATE**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the Years Ended August 31, 2011 and 2010

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**2. Investments (continued)**

*Limited partnership* – Fair value of the limited partnership was estimated using the NAV per share provided by the partnership. The funds were categorized as Level 3 investments for the year ended August 31, 2010. As permitted under ASU No. 2009-12, during the year ended August 31, 2011, the Association reclassified the limited partnership asset from Level 3 to Level 2 as the investment can be redeemed at NAV at the measurement date or in the near term.

*Mutual funds and Exchange traded funds* – Level 1 investments include mutual funds and exchange traded funds and are valued at the NAV of shares held at year-end. The funds have readily available quoted market prices from an active market where there is significant transparency in the executed/quoted market price.

The following represents a roll forward of the fair value measurements using significant unobservable inputs (Level 3) for the years ended August 31, 2011 and 2010:

Balance as of September 1, 2009	\$ -
Unrealized losses	(4,170)
Purchases	800,000
Sales	-
Fees	-
Transfers in/out of Level 3	<u>-</u>
Balance as of August 31, 2010	<u>795,830</u>
Unrealized losses	(57,906)
Purchases	1,200,000
Sales	-
Fees	(30,243)
Transfers in/out of Level 3	<u>(1,907,681)</u>
Balance as of August 31, 2011	<u>\$ -</u>

The Association has no outstanding capital commitments as of August 31, 2011 and 2010, related to the limited partnership. The Association's alternative investment fund generally allows for quarterly redemptions, with a 30-day notification. As of August 31, 2011, the Association has not been notified of any restrictions on the ability to redeem this investment.

**NATIONAL ASSOCIATION OF INSURANCE AND  
FINANCIAL ADVISORS, SUBSIDIARY AND AFFILIATE**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
For the Years Ended August 31, 2011 and 2010**

**3. Property and Equipment**

Property and equipment consist of the following as of August 31:

	2011	2010
Building and building improvements	\$ 14,622,093	\$ 14,579,419
Furniture and equipment	2,300,806	2,115,096
Land	1,550,825	1,550,825
Subtotal	18,473,724	18,245,340
Less: Accumulated Depreciation and Amortization	(5,988,870)	(5,396,370)
Net Property and Equipment	\$ 12,484,854	\$ 12,848,970

Depreciation and amortization expense for the years ended August 31, 2011 and 2010, was \$640,956 and \$607,457, 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, Virginia. 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, 2011 and 2010, the balance due was \$9,809,111 and \$10,092,618, respectively.

The schedule of future principal payments under this note as of August 31, 2011, is as follows:

For the Year Ending <u>August 31,</u>	
2012	\$ 299,112
2013	315,575
2014	332,945
2015	351,271
2016	8,510,208
Total	\$ 9,809,111

**NATIONAL ASSOCIATION OF INSURANCE AND  
FINANCIAL ADVISORS, SUBSIDIARY AND AFFILIATE**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
For the Years Ended August 31, 2011 and 2010**

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**5. Net Assets**

Undesignated

Undesignated net assets represent the unrestricted portion of the net assets of NAIFA and NAIFAPAC as of August 31, 2011 and 2010.

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, 2011, the Board approved the use of \$500,000 of board designated funds to meet operating cash flow requirements. The Board also approved an addition of \$52,500 to the reserve fund and a repayment of \$1,099,403 to the reserve for previous borrowings by operations. 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 a repayment of approximately \$200,000 to the reserve fund.

The balance of the Reserve Fund as of August 31, 2011 and 2010, was \$2,955,076 and \$2,425,517, 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 \$1,907,681 and \$1,471,526, respectively, as of August 31, 2011 and 2010, plus \$1,047,395 and \$953,991, respectively, of cash and cash equivalents as of August 31, 2011 and 2010, which amounts are included in the consolidated statements of financial position.

*War Chest*

These net assets totaling \$61,151 and \$117,658 as of August 31, 2011 and 2010, 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 \$61,151 and \$117,658, respectively, as of August 31, 2011 and 2010, which amounts are included in the consolidated statements of financial position.

**NATIONAL ASSOCIATION OF INSURANCE AND  
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
For the Years Ended August 31, 2011 and 2010**

**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 31<sup>st</sup>.

**Obligations and Funded Status**

	<u>2011</u>	<u>2010</u>
Projected benefit obligation	\$ (8,699,601)	\$ (8,520,800)
Fair value of plan assets	<u>6,277,112</u>	<u>5,814,856</u>
Funded Status	<u>\$ (2,422,489)</u>	<u>\$ (2,705,944)</u>

Because the Plan has been frozen, the accumulated benefit obligation as of August 31, 2011 and 2010 of \$8,699,601 and \$8,520,800, respectively, is the same as the projected benefit obligation.

Amounts recognized in the accompanying consolidated statements of financial position consist of the following as of August 31<sup>st</sup>:

	<u>2011</u>	<u>2010</u>
Accrued benefit cost	<u>\$ 2,422,489</u>	<u>\$ 2,705,944</u>

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

	<u>2011</u>	<u>2010</u>
Cumulative unrecognized actuarial loss	<u>\$ (4,208,472)</u>	<u>\$ (4,519,868)</u>

The unrecognized actuarial gain (loss), net of amortization, was a gain of \$311,396 and a loss of \$398,722 for the years ended August 31, 2011 and 2010, respectively.



**NATIONAL ASSOCIATION OF INSURANCE AND  
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the Years Ended August 31, 2011 and 2010

**6. Pension Plans (continued)**

**Defined Benefit Pension Plan (continued)**

Obligations and Funded Status (continued)

The amount of the cumulative unrecognized actuarial loss of \$4,208,472 as of August 31, 2011, expected to be included in net periodic benefit cost for the year ending August 31, 2012, is \$312,427.

Amounts recognized in the accompanying consolidated statements of activities consist of the following as of August 31<sup>st</sup>:

	2011	2010
Net periodic benefit cost	\$ 399,040	\$ 352,021

Contributions and benefits paid for the years ended August 31, 2011 and 2010, were as follows:

	2011	2010
Employer contribution	\$ 371,099	\$ 370,887
Benefits paid	\$ 503,127	\$ 196,060

Assumptions

Weighted average assumptions used in determining the benefit obligation and net periodic benefit cost as of August 31, 2011 and 2010, were as follows:

	2011	2010
Discount rate – benefit obligation	5.50%	5.50%
Discount rate – net periodic benefit cost	5.50%	6.25%
Expected long-term return on plan assets	7.50%	7.50%
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).

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**6. Pension Plans (continued)**

**Defined Benefit Pension Plan (continued)**

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, 2011 and 2010. The asset allocation is reviewed and approved at least semi-annually by the Investment Committee.

As of August 31, 2011, the Association's target long term strategic asset allocation is for 65% equities, 33% fixed income and 2% for 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.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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**6. Pension Plans (continued)**

**Defined Benefit Pension Plan (continued)**

Plan Assets (continued)

The Association's pension plan assets as of August 31, 2011 by asset category, using the fair value input measurements as outlined in Note 1 to these consolidated financial statements, were as follows:

	<u>Total</u>	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity mutual funds:				
U.S. large cap	\$ 1,862,481	\$ 1,862,481	\$ -	\$ -
Foreign large cap	534,576	534,576	-	-
U.S. small cap	485,109	485,109	-	-
U.S. mid cap	420,801	420,801	-	-
Diversified emerging markets	245,982	245,982	-	-
Fixed income mutual funds:				
Intermediate term bond	1,144,427	1,144,427	-	-
World bond	385,410	385,410	-	-
Inflation-protected bond	385,260	385,260	-	-
High yield bond	337,845	337,845	-	-
Money market	56,065	56,065	-	-
Global real estate mutual fund	<u>419,156</u>	<u>419,156</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 6,277,112</u>	<u>\$ 6,277,112</u>	<u>\$ -</u>	<u>\$ -</u>

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For the Years Ended August 31, 2011 and 2010**

**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 consolidated financial statements, were as follows:

	<u>Total</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Equity mutual funds:				
U.S. large cap	\$ 1,622,719	\$ 1,622,719	\$ -	\$ -
Foreign large cap	545,973	545,973	-	-
U.S. small cap	445,051	445,051	-	-
U.S. mid cap	386,288	386,288	-	-
Diversified emerging markets	253,349	253,349	-	-
Fixed income mutual funds:				
Intermediate term bond	1,192,839	1,192,839	-	-
World bond	355,256	355,256	-	-
Inflation-protected bond	345,799	345,799	-	-
High yield bond	323,107	323,107	-	-
Money market	103,771	103,771	-	-
Global real estate mutual fund	176,113	176,113	-	-
Real estate pooled fund	<u>64,591</u>	<u>-</u>	<u>-</u>	<u>64,591</u>
Total	<u>\$ 5,814,856</u>	<u>\$ 5,750,265</u>	<u>\$ -</u>	<u>\$ 64,591</u>

Equity and fixed income mutual funds – Level 1 investments include mutual funds which are valued at the NAV of shares held at year-end. The funds have readily available quoted market prices from an active market where there is significant transparency in the executed/quoted market price and the funds were redeemable at NAV as of August 31, 2011 and 2010.

Real estate pooled fund – Level 3 investments include a real estate pooled fund which invests the majority of its assets in commercial real estate holdings. The property holdings contain real estate from the multi-family, office, warehouse/manufacturing, and retail sectors. Funds may not be available for immediate withdrawal.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
For the Years Ended August 31, 2011 and 2010**

**6. Pension Plans (continued)**

**Defined Benefit Pension Plan (continued)**

Plan Assets (continued)

The following represents a roll forward of the fair value measurements using significant unobservable inputs (Level 3) for the years ended August 31, 2011 and 2010:

Balance as of September 1, 2009	\$ 229,531
Total net gains or losses (realized/unrealized)	(12,596)
Purchases	-
Sales	(152,344)
Transfers in/out of Level 3	-
Balance as of August 31, 2010	64,591
Total net gains or losses (realized/unrealized)	1,995
Purchases	-
Sales	(66,586)
Transfers in/out of Level 3	-
Balance as of August 31, 2011	\$ -

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 \$491,000 to its pension plan during the year ending August 31, 2012.

Estimated Future Benefit Payments

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

<u>For the Year Ending</u> <u>August 31,</u>	
2012	\$ 415,093
2013	425,959
2014	426,653
2015	456,589
2016	470,391
Years 2017-2021	2,861,095

**NATIONAL ASSOCIATION OF INSURANCE AND  
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**6. Pension Plans (continued)**

**Accrued Medical Benefits**

The Association has a self-insured medical plan. As a result, the Association is required to accrue a liability related to claims that have been incurred but unpaid and an estimate for future claims that are not yet incurred. As of August 31, 2011 and 2010, this amount was \$173,361 and \$188,300, respectively, and is included in accrued pension and medical benefits in the accompanying consolidated statements of financial position.

**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 \$102,932 and \$113,827 for the years ended August 31, 2011 and 2010, 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.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended August 31, 2011 and 2010**

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**7. Commitments and Contingencies (continued)**

Concentration of Credit Risk (continued)

As of August 31, 2011 and 2010, the amount in excess of the amount guaranteed by federal agencies was \$2,241,166 and \$2,085,682, 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.

Publication Contract

On October 8, 2010, the Association entered into a contract with a third party to provide publishing services starting with the January/February 2011 edition of the Association's magazine. Under the contract, the Association has agreed to pay a publishing fee of \$18,000 per edition. If advertising sold exceeds 20 pages in any edition of the magazine, the third party shall reduce the publishing fee by \$1,800 per advertising page in excess of 20 pages and if the third party sells more than 30 pages of advertising in any edition of the magazine, the third party will eliminate the publishing fee of \$18,000 and will pay the Association \$1,800 per advertising page sold and collected starting with the 31st page. The agreement has an initial term expiring on December 31, 2015.

**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 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 an interest bearing escrow account upon receipt and restricted for future use in offsetting certain costs associated with obtaining a replacement tenant. During the year ended August 31, 2011, \$68,427 of the funds were released from escrow. As of August 31, 2011 and 2010, the proceeds from this lease termination are included in cash and cash equivalents in the accompanying consolidated statements of financial position.

Continued

**NATIONAL ASSOCIATION OF INSURANCE AND  
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the Years Ended August 31, 2011 and 2010

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**8. Lease Agreements (continued)**

As of August 31, 2011, future minimum rentals under all of these leases are as follows:

For the Years Ending <u>August 31,</u>	
2012	\$ 731,534
2013	983,303
2014	1,031,610
2015	1,053,224
2016	633,423
Thereafter	<u>3,373,368</u>
Total	<u>\$ 7,806,462</u>

**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 years ended August 31, 2011 and 2010, NAIFA represented one of LIFE's six members. During the years ended August 31, 2011 and 2010, the Association was billed \$447,554 and \$434,539 from LIFE for membership dues.

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 \$177,825 and \$191,148 during the years ended August 31, 2011 and 2010, respectively, under the terms of



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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**9. Related Parties (continued)**

GAMA (continued)

these two agreements. Additionally, GAMA owed NAIFA \$2,825 and \$8,418 as of August 31, 2011 and 2010, respectively, for service fees 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 various affinity programs, 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.

NAIFA had an accumulated federal net operating tax loss carryforward of approximately \$730,000 and \$569,000 as of August 31, 2011 and 2010, respectively. This tax loss carryforward begins to expire in the year 2025. The related deferred tax asset was fully reserved by management due to the uncertainty over the ability to recognize any future tax benefit based upon projections for taxable losses.

NAIFAPAC is subject to federal and state income taxes on income other than exempt purpose income. For the years ended August 31, 2011 and 2010, no provision for income tax was required as NAIFAPAC did not generate any significant net taxable income.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
For the Years Ended August 31, 2011 and 2010**

**10. Income Taxes (continued)**

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 \$1,175,000 and \$800,000 for the years ended August 31, 2011 and 2010, 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, 2011 and 2010, 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, 2011 and 2010, 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, 2008 through the year ended August 31, 2010. It is the Association's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense.

The net deferred tax asset consists of the following as of August 31, 2011 and 2010:

	2011	2010
Deferred tax assets:		
NAIFA	\$ 248,000	\$ 227,000
NAIFASC	400,000	276,400
Deferred tax liability	-	-
Subtotal	648,000	503,400
Deferred tax valuation allowance – NAIFA	(248,000)	(227,000)
Deferred tax valuation allowance – NAIFASC	(400,000)	(276,400)
Net deferred tax assets	\$ -	\$ -

**11. Reclassifications**

Certain 2010 amounts have been reclassified to conform with the 2011 consolidated financial statement presentation.

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FINANCIAL ADVISORS, SUBSIDIARY AND AFFILIATE**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the Years Ended August 31, 2011 and 2010

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**12. Subsequent Events**

In preparing these consolidated financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through December 31, 2011, the date the consolidated financial statements were available to be issued. There were no subsequent events identified that require recognition or disclosure in these consolidated financial statements.

**SUPPLEMENTAL CONSOLIDATING INFORMATION**

**NATIONAL ASSOCIATION OF INSURANCE AND  
FINANCIAL ADVISORS, SUBSIDIARY AND AFFILIATE**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**  
August 31, 2011

	NAIFA	NAIFAPAC	NAIFASC	Total	Eliminations	Total
<b>ASSETS</b>						
Cash and cash equivalents	\$ 1,950,199	\$ 859,425	\$ 91,228	\$ 2,900,852	\$ -	\$ 2,900,852
Net accounts receivable	282,508	-	3,276	285,784	(31,679)	254,105
Deferred rent receivable	203,184	-	-	203,184	-	203,184
Prepaid expenses	712,096	-	18,002	730,098	-	730,098
Investments	1,907,681	-	-	1,907,681	-	1,907,681
Investment in NAIFASC	33,947	-	-	33,947	(33,947)	-
Deposits and other assets	714,491	-	6,030	720,521	(6,030)	714,491
Net property and equipment	12,484,854	-	-	12,484,854	-	12,484,854
<b>TOTAL ASSETS</b>	<b>\$ 18,288,960</b>	<b>\$ 859,425</b>	<b>\$ 118,536</b>	<b>\$ 19,266,921</b>	<b>\$ (71,656)</b>	<b>\$ 19,195,265</b>
<b>LIABILITIES AND NET ASSETS</b>						
<b>Liabilities</b>						
Accounts payable and accrued expenses	\$ 1,081,862	\$ 182,483	\$ 13,046	\$ 1,277,391	\$ (37,709)	\$ 1,239,682
Deferred dues	3,207,533	-	-	3,207,533	-	3,207,533
Other deferred revenue	1,096,849	-	71,543	1,168,392	-	1,168,392
Accrued pension and medical benefits	2,595,850	-	-	2,595,850	-	2,595,850
Note payable	9,809,111	-	-	9,809,111	-	9,809,111
<b>TOTAL LIABILITIES</b>	<b>17,791,205</b>	<b>182,483</b>	<b>84,589</b>	<b>18,058,277</b>	<b>(37,709)</b>	<b>18,020,568</b>
<b>NET ASSETS</b>						
<b>Unrestricted</b>						
Undesignated	1,690,000	676,942	-	2,366,942	-	2,366,942
Board Designated	3,016,227	-	-	3,016,227	-	3,016,227
Accumulated net unrecognized actuarial loss	(4,208,472)	-	-	(4,208,472)	-	(4,208,472)
<b>TOTAL NET ASSETS</b>	<b>497,755</b>	<b>676,942</b>	<b>-</b>	<b>1,174,697</b>	<b>-</b>	<b>1,174,697</b>
<b>STOCKHOLDER'S EQUITY</b>						
Common stock	-	-	1,000	1,000	(1,000)	-
Treasury stock	-	-	(10,000)	(10,000)	10,000	-
Additional paid-in capital	-	-	1,487,410	1,487,410	(1,487,410)	-
Retained earnings	-	-	(1,444,463)	(1,444,463)	1,444,463	-
<b>TOTAL STOCKHOLDER'S EQUITY</b>	<b>-</b>	<b>-</b>	<b>33,947</b>	<b>33,947</b>	<b>(33,947)</b>	<b>-</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 18,288,960</b>	<b>\$ 859,425</b>	<b>\$ 118,536</b>	<b>\$ 19,266,921</b>	<b>\$ (71,656)</b>	<b>\$ 19,195,265</b>

**NATIONAL ASSOCIATION OF INSURANCE AND  
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**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**  
August 31, 2010

	NAIFA	NAIFAPAC	NAIFASC	Total	Eliminations	Total
<b>ASSETS</b>						
Cash and cash equivalents	\$ 2,225,823	\$ 675,030	\$ 66,582	\$ 2,967,435	\$ -	\$ 2,967,435
Net accounts receivable	103,844	-	126,885	230,729	(37,145)	193,584
Deferred rent receivable	79,156	-	-	79,156	-	79,156
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
<b>TOTAL ASSETS</b>	<b>\$ 17,792,457</b>	<b>\$ 675,030</b>	<b>\$ 204,871</b>	<b>\$ 18,672,358</b>	<b>\$ (73,510)</b>	<b>\$ 18,598,848</b>
<b>LIABILITIES AND NET ASSETS</b>						
<b>Liabilities</b>						
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
<b>TOTAL LIABILITIES</b>	<b>18,748,675</b>	<b>133,050</b>	<b>174,537</b>	<b>19,056,262</b>	<b>(43,176)</b>	<b>19,013,086</b>
<b>NET ASSETS</b>						
<b>Unrestricted</b>						
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)
<b>TOTAL NET (DEFICIT) ASSETS</b>	<b>(956,218)</b>	<b>541,980</b>	<b>-</b>	<b>(414,238)</b>	<b>-</b>	<b>(414,238)</b>
<b>STOCKHOLDER'S EQUITY</b>						
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	-
<b>TOTAL STOCKHOLDER'S EQUITY</b>	<b>-</b>	<b>-</b>	<b>30,334</b>	<b>30,334</b>	<b>(30,334)</b>	<b>-</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 17,792,457</b>	<b>\$ 675,030</b>	<b>\$ 204,871</b>	<b>\$ 18,672,358</b>	<b>\$ (73,510)</b>	<b>\$ 18,598,848</b>

**NATIONAL ASSOCIATION OF INSURANCE AND  
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**CONSOLIDATING STATEMENT OF ACTIVITIES**

For the Year Ended August 31, 2011

	NAIFA	NAIFAPAC	NAIFASC	Total	Eliminations	Total
<b>REVENUE AND OTHER SUPPORT</b>						
Dues	\$ 12,034,482	\$ -	\$ -	\$ 12,034,482	\$ -	\$ 12,034,482
Publications	5,068	-	798,536	803,604	(23,675)	779,929
Political and other contributions	58,000	1,657,281	-	1,715,281	(220,000)	1,495,281
Conferences and meetings	1,155,833	-	-	1,155,833	-	1,155,833
Rental income and service fees	924,362	-	-	924,362	(279,458)	644,904
Product sales, royalties and commissions	368,005	-	10,252	378,257	(90,914)	287,343
Awards	152,982	-	-	152,982	-	152,982
Education and professional development	136,064	-	-	136,064	-	136,064
Investment (loss) income	(85,337)	47	-	(85,290)	-	(85,290)
Other	106,434	-	415	106,849	-	106,849
<b>TOTAL REVENUE AND OTHER SUPPORT</b>	<b>14,855,893</b>	<b>1,657,328</b>	<b>809,203</b>	<b>17,322,424</b>	<b>(614,047)</b>	<b>16,708,377</b>
<b>EXPENSES</b>						
Program services						
Legislation, regulation and ethics	2,710,623	1,522,366	-	4,232,989	(221,980)	4,011,009
Support of state and local members	2,047,480	-	-	2,047,480	(7,160)	2,040,320
Publications and communication	522,502	-	899,333	1,421,835	(90,914)	1,330,921
Conference	1,096,246	-	-	1,096,246	(4,360)	1,091,886
Member benefits and professional development	1,018,816	-	-	1,018,816	(12,155)	1,006,661
<b>Total program services</b>	<b>7,395,667</b>	<b>1,522,366</b>	<b>899,333</b>	<b>9,817,366</b>	<b>(336,569)</b>	<b>9,480,797</b>
Supporting services						
Governance and administration	5,950,041	-	277,478	6,227,519	(277,478)	5,950,041
<b>Total supporting services</b>	<b>5,950,041</b>	<b>-</b>	<b>277,478</b>	<b>6,227,519</b>	<b>(277,478)</b>	<b>5,950,041</b>
<b>TOTAL EXPENSES</b>	<b>13,345,708</b>	<b>1,522,366</b>	<b>1,176,811</b>	<b>16,044,885</b>	<b>(614,047)</b>	<b>15,430,838</b>
<b>EQUITY IN EARNINGS OF SUBSIDIARY</b>						
NAIFASC	(367,608)	-	-	(367,608)	367,608	-
<b>CHANGE IN UNRESTRICTED NET ASSETS BEFORE UNRECOGNIZED ACTUARIAL GAIN</b>						
	1,142,577	134,962	(367,608)	909,931	367,608	1,277,539
Unrecognized actuarial gain, net of amortization	311,396	-	-	311,396	-	311,396
<b>CHANGE IN NET ASSETS</b>	<b>\$ 1,453,973</b>	<b>\$ 134,962</b>	<b>\$ (367,608)</b>	<b>\$ 1,221,327</b>	<b>\$ 367,608</b>	<b>\$ 1,588,935</b>

**NATIONAL ASSOCIATION OF INSURANCE AND  
FINANCIAL ADVISORS, SUBSIDIARY AND AFFILIATE**

**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
<b>TOTAL REVENUE AND OTHER SUPPORT</b>	<b>13,940,702</b>	<b>1,362,609</b>	<b>1,610,781</b>	<b>16,914,092</b>	<b>(591,536)</b>	<b>16,322,556</b>
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
<b>Total program services</b>	<b>7,107,842</b>	<b>1,134,586</b>	<b>1,715,175</b>	<b>9,957,603</b>	<b>(182,909)</b>	<b>9,774,694</b>
Supporting services						
Governance and administration	6,264,361	-	408,628	6,672,989	(408,627)	6,264,362
<b>Total supporting services</b>	<b>6,264,361</b>	<b>-</b>	<b>408,628</b>	<b>6,672,989</b>	<b>(408,627)</b>	<b>6,264,362</b>
<b>TOTAL EXPENSES</b>	<b>13,372,203</b>	<b>1,134,586</b>	<b>2,123,803</b>	<b>16,630,592</b>	<b>(591,536)</b>	<b>16,039,056</b>
EQUITY IN EARNINGS OF SUBSIDIARY						
NAIFASC	(513,022)	-	-	(513,022)	513,022	-
CHANGE IN UNRESTRICTED NET ASSETS BEFORE UNRECOGNIZED ACTUARIAL LOSS	55,477	228,023	(513,022)	(229,522)	513,022	283,500
Unrecognized actuarial loss, net of amortization	(398,722)	-	-	(398,722)	-	(398,722)
<b>CHANGE IN NET ASSETS</b>	<b>\$ (343,245)</b>	<b>\$ 228,023</b>	<b>\$ (513,022)</b>	<b>\$ (628,244)</b>	<b>\$ 513,022</b>	<b>\$ (115,222)</b>