

**National Roofing
Foundation
d/b/a
The Roofing Industry
Alliance for Progress**

**Financial Statements
and
Independent Auditor's Report
For the Year Ended
May 31, 2008**

Wolf & Company LLP
Certified Public Accountants

CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1
Financial Statements:	
Statements of Financial Position	2
Statements of Activities	3
Statements of Functional Expenses	4-5
Statements of Cash Flows	6
Notes to the Financial Statements	7-10

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
National Roofing Foundation
Rosemont, Illinois

We have audited the accompanying statements of financial position of NATIONAL ROOFING FOUNDATION (d/b/a The Roofing Industry Alliance for Progress) as of May 31, 2008 and 2007, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Foundation'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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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.

As described in Note 2 to the financial statements, the Foundation records contributions when they are collected. Accounting principles generally accepted in the United States of America require that unconditional promises to give be recognized as assets in the period that the promise to give is received. The effects on the financial statements of not recording unconditional promises to give until collection occurs are not reasonably determinable.

In our opinion, except for the effects of not recording unconditional promises to give, the financial statements referred to above present fairly, in all material respects, the financial position of National Roofing Foundation as of May 31, 2008 and 2007, and the changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Oak Brook, Illinois
June 27, 2008

Wolf & Company LLP

NATIONAL ROOFING FOUNDATION
STATEMENTS OF FINANCIAL POSITION

ASSETS

	May 31,	
	2008	2007
Current assets:		
Cash	\$ 224,081	\$ 67,442
Money market	299,112	678,590
Investments	9,983,179	9,706,840
	\$ 10,506,372	\$ 10,452,872

LIABILITIES AND NET ASSETS

Current liabilities:		
Pledges payable	\$ 50,000	\$ -
Net assets:		
Unrestricted, board designated:		
Alliance	9,832,926	10,031,418
Scholarship funds	422,757	383,165
	10,255,683	10,414,583
Temporarily restricted:		
Disaster relief fund	36,089	38,289
Scholarship funds	164,600	-
	200,689	38,289
Total net assets	10,456,372	10,452,872
	\$ 10,506,372	\$ 10,452,872

See accompanying notes to financial statements and independent auditor's report.

NATIONAL ROOFING FOUNDATION
STATEMENTS OF ACTIVITIES

	For the Year Ended	
	May 31,	
	<u>2008</u>	<u>2007</u>
Unrestricted net assets:		
Revenue and support:		
Alliance contributions	\$ 271,672	\$ 237,374
Scholarship contributions	-	72,100
Other contributions	100	-
Publications	-	2,670
Proposition 65 consent judgment	-	188
Interest and dividend income	265,389	226,942
Realized gain on sale of investments	470,030	750,908
Unrealized gain (loss) on investments	(374,544)	409,980
Net assets released from restrictions	<u>15,500</u>	<u>75,000</u>
Total revenue and support	<u>648,147</u>	<u>1,775,162</u>
Expenses:		
Program services	418,561	336,696
Support services	<u>388,486</u>	<u>338,089</u>
Total expenses	<u>807,047</u>	<u>674,785</u>
Increase (decrease) in unrestricted net assets	<u>(158,900)</u>	<u>1,100,377</u>
Temporarily restricted net assets:		
Scholarship contributions	175,100	-
Disaster relief fund	2,800	7,150
Net assets released from restrictions	<u>(15,500)</u>	<u>(75,000)</u>
Increase (decrease) in temporarily restricted net assets	<u>162,400</u>	<u>(67,850)</u>
Increase in net assets	3,500	1,032,527
Net assets, beginning of year	<u>10,452,872</u>	<u>9,420,345</u>
Net assets, end of year	<u>\$ 10,456,372</u>	<u>\$ 10,452,872</u>

See accompanying notes to financial statements and independent auditor's report.

NATIONAL ROOFING FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended May 31, 2008

	<u>Program Services</u>	<u>Support Services</u>	<u>Total</u>
Public education	\$ 17,753	\$ -	\$ 17,753
Scholarships	10,500	-	10,500
Disaster Relief Fund	5,000	-	5,000
GREAT Program	13,352	-	13,352
Energy Awareness	50,000	-	50,000
Ergonomics Study	22,350	-	22,350
Green Roofing Initiative	100,000	-	100,000
Wall of Wind Project	100,000	-	100,000
Balance Program	1,274	-	1,274
Solar Decathlon	85,000	-	85,000
Fundraising	12,660	-	12,660
Scholarship campaign	-	1,875	1,875
Professional and consulting	-	71,703	71,703
Printing	-	5,854	5,854
Meetings	-	62,037	62,037
Postage and shipping	-	3,770	3,770
Management fee	-	170,000	170,000
Investment costs	-	70,482	70,482
Miscellaneous	672	2,765	3,437
	<u>\$ 418,561</u>	<u>\$ 388,486</u>	<u>\$ 807,047</u>

See accompanying notes to financial statements and independent auditor's report.

NATIONAL ROOFING FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended May 31, 2007

	<u>Program Services</u>	<u>Support Services</u>	<u>Total</u>
Public education	\$ 22,917	\$ -	\$ 22,917
Scholarships	12,000	-	12,000
Proposition 65 Funds	144,400	-	144,400
Disaster Relief Fund	75,000	-	75,000
GREAT Program	12,500	-	12,500
Energy Awareness	50,000	-	50,000
Ergonomics Study	1,839	-	1,839
Rebuilding Together Kickoff	10,000	-	10,000
Fundraising	7,616	-	7,616
Scholarship campaign	-	42,037	42,037
Professional and consulting	-	8,515	8,515
Printing	-	7,665	7,665
Meetings	-	45,405	45,405
Postage and shipping	-	6,292	6,292
Management fee	-	160,000	160,000
Investment costs	-	66,404	66,404
Miscellaneous	424	1,771	2,195
	<u>\$ 336,696</u>	<u>\$ 338,089</u>	<u>\$ 674,785</u>

See accompanying notes to financial statements and independent auditor's report.

NATIONAL ROOFING FOUNDATION
STATEMENTS OF CASH FLOWS

	For the Year Ended May 31,	
	2008	2007
Cash flows from operating activities:		
Increase in net assets	\$ 3,500	\$ 1,032,527
Adjustments to reconcile increase in net assets to cash used in operating activities:		
Realized gain on sale of investments	(470,030)	(750,908)
Unrealized (gain) loss on investments	374,544	(409,980)
Changes in assets and liabilities:		
Accounts receivable	-	20,408
Accounts payable	50,000	(13,452)
Net cash used in operating activities	(41,986)	(121,405)
Cash flows from investing activities:		
Purchase of investments	(15,662,208)	(12,784,222)
Proceeds from sale of investments	15,481,355	12,400,145
Net cash used in investing activities	(180,853)	(384,077)
Net decrease in cash	(222,839)	(505,482)
Cash, beginning of year	746,032	1,251,514
Cash, end of year	\$ 523,193	\$ 746,032
<u>Included in the accompanying statement of financial position as follows:</u>		
Cash	\$ 224,081	\$ 67,442
Money market	299,112	678,590
	\$ 523,193	\$ 746,032

See accompanying notes to financial statements and independent auditor's report.

NATIONAL ROOFING FOUNDATION
NOTES TO FINANCIAL STATEMENTS

1. Nature of Organization

National Roofing Foundation (“NRF”) is a separate but related educational and research organization of National Roofing Contractors Association (“NRCA”). NRF is currently doing business as The Roofing Industry Alliance for Progress. NRF programs are funded primarily through contributions.

The objectives of NRF are to conduct educational and research projects which support the highest quality programs for roofing contractors, ensure timely and forward-thinking industry responses to major economic and technological issues, enhance the long-term viability and attractiveness of the roofing industry, and administer a scholarship program.

2. Summary of Significant Accounting Policies

Recognition of Donor Restrictions – Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Financial Statement Presentation – NRF prepares its financial statements in accordance with Statement of Financial Accounting Standards (“SFAS”) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, NRF is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Investments – NRF has adopted SFAS No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. Under SFAS No. 124, investments in marketable securities with readily determinable fair values and all debt securities are reported at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities.

Investment in NRSC – National Roofing Service Corporation (“NRSC”) was formed to contract with NRCA to produce and market advertising for certain publications. The stockholders of the NRSC are NRCA (50%), NRF (35%), and National Roofing Legal Resource Center (“NRLRC”) (15%). The investment is accounted for on the equity method.

During the fiscal year ended 2004, NRF suspended the equity method of accounting for its investment in NRSC when NRF’s share of losses equaled the carrying amount of the investment. NRF’s share of the loss for the years ended May 31, 2008 and 2007 was \$69,490 and \$16,624, respectively, none of which was charged to operations. The accumulated unrecognized loss as of May 31, 2008 and 2007 was \$309,216 and \$239,726, respectively.

NATIONAL ROOFING FOUNDATION
NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies (Cont.)

Contributions – NRF reports its cash contributions received in accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. Accordingly, cash contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and nature of any donor restrictions. However, NRF is not recording the expected future cash flows of unconditional promises to give as required by generally accepted accounting principles.

Income Taxes – NRF is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The organization has been classified as a public supporting foundation.

Statement of Cash Flows – For purposes of the statement of cash flows, NRF considers all unrestricted, highly liquid investments with an initial maturity of three months or less to be cash equivalents. No cash payments were made for income taxes or interest.

Accounting Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Investments

Investments are summarized as follows:

	2008		
<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>	
Equity securities	\$ 5,344,818	\$ 6,501,546	\$ 1,156,728
Fixed income securities:			
Government obligations	1,533,560	1,532,770	(790)
Non-government obligations	1,065,318	1,115,496	50,178
Other securities	<u>740,917</u>	<u>833,367</u>	<u>92,450</u>
	<u>\$ 8,684,613</u>	<u>\$ 9,983,179</u>	<u>\$ 1,298,566</u>

NATIONAL ROOFING FOUNDATION
NOTES TO FINANCIAL STATEMENTS

3. Investments (Cont.)

		2007	
	Cost	Fair Value	Unrealized Gain (Loss)
Equity securities	\$ 4,696,815	\$ 6,188,065	\$ 1,491,250
Fixed income securities:			
Government obligations	1,537,335	1,447,017	(90,318)
Non-government obligations	1,055,641	1,125,330	69,689
Other securities	743,939	946,428	202,489
	\$ 8,033,730	\$ 9,706,840	\$ 1,673,110

NRF's investment in other securities represents a "managed futures" hedge fund. The purpose of this hedge fund is to offer diverse investment opportunities to minimize the portfolio's volatility risk.

4. Concentration of Risk

NRF maintains its cash and a money market account in a financial institution which at times exceeds the federally insured limit of \$100,000.

5. Related Party Transactions

NRF shares facilities with NRCA and also incurs a management fee payable to NRCA. In addition, NRCA made scholarship contributions to NRF and paid certain fundraising and other administrative costs of NRF. The transactions are summarized as follows:

	2008	2007
Management fee paid to NRCA	\$ 170,000	\$ 160,000
Scholarship contributions received from NRCA	6,500	1,500
Fundraising and other administrative costs paid by NRCA on behalf of NRF	17,013	17,810

NATIONAL ROOFING FOUNDATION
NOTES TO FINANCIAL STATEMENTS

6. Net Assets Released from Restrictions

The following were released from donor restrictions by satisfying purpose restrictions specified by the donor as follows:

	<u>2008</u>	<u>2007</u>
Disaster relief	\$ 5,000	\$ 75,000
Scholarships	<u>10,500</u>	<u>-</u>
	<u>\$ 15,500</u>	<u>\$ 75,000</u>

7. Fair Values of Financial Instruments

NRF estimates that the fair value of all financial instruments at May 31, 2008 and 2007 does not differ materially from the aggregate carrying value of its financial instruments recorded in the accompanying statements of financial position. The estimated fair value amounts have been determined by using readily available quoted market prices.