

THE CENTER FOR NONPROFIT MANAGEMENT, INC.

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

December 31, 2016



GOLDEN, REDD & COMPANY, LLC
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The Center for Nonprofit Management, Inc.

We have audited the accompanying statements of financial position of The Center for Nonprofit Management, Inc. (a Texas nonprofit organization), as of December 31, 2016 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the period April 1, 2016 to December 31, 2016, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

The Center for Nonprofit Management, Inc.'s management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Center for Nonprofit Management, Inc. as of December 31, 2016, and the results of its operations and its cash flows for the period April 1, 2016 to December 31, 2016 in accordance with accounting principles generally accepted in the United States of America.

Golden, Redd & Company, LLC

Dallas, Texas
April 10, 2017

THE CENTER FOR NONPROFIT MANAGEMENT, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2016

ASSETS

Current assets:

Cash:

Unrestricted	\$ 561,237
Restricted for future periods	340,064
	<u>901,301</u>

Unconditional promises to give:

Unrestricted	7,750
Restricted for future periods	106,250
	<u>114,000</u>

Accounts receivable, trade, net
of allowance for doubtful accounts

9,671

Prepaid expenses

15,422

Total current assets

1,040,394

Furniture and equipment, net

14,669

TOTAL ASSETS

\$ 1,055,063

LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable and accrued expenses

\$ 95,276

Deferred revenue

109,487

Total current liabilities

204,763

Long-term liabilities

-

TOTAL LIABILITIES

204,763

Net assets:

Unrestricted

403,986

Temporarily restricted

446,314

Total net assets

850,300

TOTAL LIABILITIES AND NET ASSETS

\$ 1,055,063

See accompanying notes.

THE CENTER OF NONPROFIT MANAGEMENT, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Period April 1, 2016 to December 31, 2016

	Unrestricted	Temporarily Restricted	Total
Revenues and support:			
Contributions and grants	\$ 126,408	\$ 407,000	\$ 533,408
Program service fees	600,091	-	600,091
Donated support	80,250	-	80,250
Special event income	150,680	-	150,680
Total revenue	957,429	407,000	1,364,429
Net assets released from restrictions	295,592	(295,592)	-
Total adjusted revenue	1,253,021	111,408	1,364,429
Expenses:			
Program services	876,195	-	876,195
Supporting services	118,798	-	118,798
Fundraising	173,119	-	173,119
Total expenses	1,168,112	-	1,168,112
Increase in net assets	84,909	111,408	196,317
Net assets, beginning of period	319,077	334,906	653,983
Net assets, end of period	\$ 403,986	\$ 446,314	\$ 850,300

See accompanying notes.

THE CENTER FOR NONPROFIT MANAGEMENT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Period April 1, 2016 to December 31, 2016

	Program Services	Supporting Services	Fundraising	Total
Contract services	\$ 48,742	\$ 1,889	\$ 2,004	\$ 52,635
Depreciation	10,382	1,408	2,051	13,841
Employee benefits	35,497	8,042	7,004	50,543
Equipment expense	2,431	315	459	3,205
Grants and gifts	56	4	25,032	25,092
Insurance	1,208	164	239	1,611
Local transportation	3,002	239	271	3,512
Marketing and communications	481	-	-	481
Meetings and events	11,283	1,632	34,133	47,048
Office supplies	3,653	5,951	505	10,109
Other expenses	17,278	6,768	2,858	26,904
Payroll taxes	39,671	5,378	7,838	52,887
Professional fees	45,322	10,944	8,568	64,834
Program elements	69,424	4,919	6,735	81,078
Rent and space	79,238	9,473	13,805	102,516
Salaries and wages	497,164	59,875	59,944	616,983
Shipping and delivery	213	221	37	471
Telephone	8,310	1,133	1,632	11,075
Travel	2,840	443	4	3,287
Total expenses	<u>\$ 876,195</u>	<u>\$ 118,798</u>	<u>\$ 173,119</u>	<u>\$ 1,168,112</u>

See accompanying notes.

THE CENTER FOR NONPROFIT MANAGEMENT, INC.

STATEMENT OF CASH FLOWS

For the Period April 1, 2016 to December 31, 2016

Cash flows from operating activities:

Increase in net assets	\$	196,317
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation and amortization		13,842
Net change in operating assets and liabilities:		
Unconditional promises to give		59,500
Receivables		12,194
Prepaid expenses		32,777
Accounts payable and accrued expenses		(65,415)
Deferred revenue		24,400
Net cash provided by operating activities		<u>273,615</u>
Net increase in cash		273,615
Cash at beginning of period		<u>627,686</u>
Cash at end of period	\$	<u><u>901,301</u></u>

See accompanying notes.

THE CENTER FOR NONPROFIT MANAGEMENT, INC.
Notes to Financial Statements
December 31, 2016

NOTE 1 – NATURE OF OPERATIONS

The Center for Nonprofit Management, Inc. (Organization) is a Texas nonprofit corporation, classified by the Internal Revenue Service as tax-exempt under Section 501(a) of the Internal Revenue Code (IRC). The Organization was established and is operated to provide a comprehensive range of services to improve management effectiveness for nonprofit organizations. These services include consulting, seminars, employment ads, and executive recruiting. The Organization's support and revenues are derived primarily from program service fees and corporate and foundation contributions. Effective April 1, 2016, the Organization changed its accounting year end to December 31. Consequently, these financial statements report the results of its operations and its cash flows for the period April 1, 2016 to December 31, 2016.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Financial Statement Presentation – Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Revenues and expenses are recorded on the accrual basis. Accordingly, net assets and changes therein are classified as follows:

Temporarily Restricted Net Assets- Net assets subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or the passage of time.

Unrestricted Net Assets- Net assets not subject to donor-imposed stipulations.

Revenues are reported as increases in unrestricted net assets unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Expirations of temporarily restricted contributions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. Contributions are recognized as revenues in the period that pledges or unconditional promises to give are received.

Use of Estimates- Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Significant estimates used in the preparation of these financial statements include the assumptions in recording depreciation and amortization, realization or receivables, and functional allocation of expenses. It is at least reasonably possible that the significant estimates used will change within the next year. Actual results could vary from estimates.

THE CENTER FOR NONPROFIT MANAGEMENT, INC.
Notes to Financial Statements
December 31, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses – The cost of providing the various programs and supporting services have been summarized on a functional basis in the statement of activities. Direct costs totaling \$823,680 have been allocated among the programs and supporting services benefited. Indirect costs totaling \$344,432 have been allocated among the following functions: \$258,324 program services; \$35,132 supporting services and \$50,976 fundraising.

Cash and Cash Equivalents – The Organization considers all money market accounts maintained at brokerage firms and highly liquid investments with original maturities of ninety days or less to be cash equivalents. The Organization places its cash, which, at times, may exceed federally insured limits with high credit quality financial institutions. The Organization has not experienced any losses on such amounts.

Revenue Recognition – Contributions are recognized as revenues in the period that pledges or unconditional promises to give are received. These contributions are reduced by any allowance for uncollectible amounts and then discounted to their net present value if the collection period extends beyond the next fiscal year. Membership dues are recognized as revenue over the membership period. Revenues from education programs are recognized in the period the programs are held. Job board, executive search, consulting and management fee revenues are recognized when the services are rendered. Revenues collected in advance are deferred until earned.

Accounts Receivable/Allowance for Doubtful Accounts – The Organization considers all accounts receivable balances that are over six months past due to be uncollectible. Historically, the Organization has written off a minimal amount of uncollectible trade receivables. At December 31, 2016, the allowance for doubtful accounts was \$8,000.

Furniture, Equipment, and Depreciation – Furniture and equipment are recorded at cost when purchased; if donated, furniture and equipment are recorded at fair value as of the date donated. Furniture and Equipment is presented net of accumulated depreciation. Major expenditures and those that substantially increase useful lives are capitalized. Maintenance, repairs and replacements that do not improve or extend the lives of the respective assets are charged to operations when incurred. When furniture or equipment are sold or otherwise disposed of, the asset and related accumulated depreciation are removed, and any gain or loss is recognized and included in operations.

Depreciation and amortization have been calculated using the straight-line method based on the estimated useful lives of the assets as follows:

Furniture and fixtures	5-7 years
Office equipment	5 years
Computer equipment	3 years
Computer software	3-5 years
Library	7 years

THE CENTER FOR NONPROFIT MANAGEMENT, INC.
Notes to Financial Statements
December 31, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes – The Organization is exempt from federal income taxes under Section 501(a) of the Internal Revenue Code (IRC) of 1986, as amended, as an organization described in Section 501 (c)(3) of the IRC. The Organization has been classified as an organization that is not a private organization under IRC Section 509 (a)(2), and as such, contributions to the organization qualify for deductions as charitable contributions. However, income generated from activities unrelated to the organization’s exempt purpose is subject to tax under IRC Section 511.

Accounting for Uncertainty in Income Taxes – Management has concluded that any tax positions that would not meet the more-likely-than-not criterion of Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC) Topic 740-10, *Accounting for Income Taxes*, would be immaterial to the financial statements taken as a whole. Accordingly, the accompanying financial statements do not include any provision for uncertain tax positions, and no related interest or penalties have been recorded in the statements of activities or accrued in the statements of financial position. The Organization’s federal income tax returns for 2015, 2014 and 2013 are subject to possible examination by the IRS, generally for three years after they are filed.

Date of Management’s Review – Subsequent events have been evaluated for potential recognition or disclosure through April 10, 2017, which is the date the financial statements were available to be issued.

NOTE 3 – UNCONDITIONAL PROMISES TO GIVE

As of December 31, 2016, unconditional promises to give totaled \$114,000 and consisted of receivables (primarily from corporations and foundations) and are due in one year or less. Further, no allowance for doubtful accounts was considered necessary.

NOTE 4 – PROPERTY AND EQUIPMENT

At December 31, 2016, property and equipment consisted of the following:

Furniture and fixtures	\$ 4,425
Office equipment	8,979
Computer equipment	24,600
Library books	4,250
Computer software	46,260
	<hr/> 88,514
Less accumulated depreciation and amortization	73,845
	<hr/> <hr/> \$ 14,669

THE CENTER FOR NONPROFIT MANAGEMENT, INC.
Notes to Financial Statements
December 31, 2016

NOTE 5 – DEBT OBLIGATIONS

The Organization has an unsecured revolving line of credit of \$150,000 with a variable interest rate due May 2017. There were no advances outstanding on the line of credit as of December 31, 2016.

NOTE 6 – OPERATING RESERVE FUNDS

The Organization received a grant of \$250,000 from the Meadows Foundation in 1988, and grants from the Carl B. and Florence E. King Foundation between 1992 and 1997 totaling \$100,000. These grants from the two foundations were to be used as an operating reserve fund. As March 31, 2015, all funds in the amount of \$350,000 had been used for operational purposes and had not been replenished.

Effective March 17, 2015, the Meadows Foundation agreed to amend the terms of its grant to eliminate the \$250,000 replenishment requirement. Also beginning in 2016, CNM is to contribute a minimum of \$67,000 to a new Operating Reserve Fund each fiscal year for five years up to a total of \$335,000. The Operating Reserve Fund will be managed as a Board Designated Fund.

In fiscal year 2016, CNM established the Meadows Operating Reserve Fund and contributed \$75,000 in advance of the fiscal year ended March 31, 2016 requirement. CNM also contributed \$75,000 during the current period ended December 31, 2016. The Organization intends to contribute at least \$67,000 each year for three additional years or until the total Meadows Operating Reserve Fund reaches \$335,000.

In fiscal 2016, CNM renamed the original Operating Reserve Fund to be the King Operating Reserve Fund. CNM contributed \$25,000 to this fund for the year ended March 31, 2016 and contributed an additional \$25,000 during the current period ended December 31, 2016. The Organization was not required to replenish the \$100,000 contribution from the King Foundation.

NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available for the following purposes as of December 31, 2016:

Outcomes technology	\$ 240,000
Education program	105,468
Consulting program	46,667
Night of Light	35,075
Internal technology	14,417
Development	<u>4,687</u>
Total	<u>\$ 446,314</u>

THE CENTER FOR NONPROFIT MANAGEMENT, INC.
Notes to Financial Statements
December 31, 2016

NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)

Net assets were released from donor restrictions as follows:

Expenses incurred satisfying the purpose restrictions
specified by donors:

Outcomes technology	\$ 163,033
Education program	86,274
Consulting program	35,155
Internal technology	5,892
Development	2,813
A Night of Light	2,425
	<u>\$ 295,592</u>

NOTE 8 – CONTRIBUTED GOODS AND SERVICES

The Organization received and recognized contributed goods and services for office space for \$80,250. This amount is included as unrestricted contributions and expenses in the accompanying financial statements.

In addition, individuals may volunteer their time and perform a variety of tasks that assist the Organization but these services do not meet the criteria for recognition as contributed services.

NOTE 9 – PROGRAM SERVICE FEE INCOME

The Organization earned the following program service fees:

Education services	\$ 144,201
Executive recruiting/job boards	167,509
Consulting	185,693
Agency membership fees	100,877
Other	1,811
	<u>\$ 600,091</u>