

THE CENTER FOR NONPROFIT MANAGEMENT, INC.

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

December 31, 2017



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 statement of financial position of The Center for Nonprofit Management, Inc. (a Texas nonprofit organization), as of December 31, 2017 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, 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, 2017, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Holder, Rodd & Company, LLC

Dallas, Texas
March 19, 2018

THE CENTER FOR NONPROFIT MANAGEMENT, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2017

ASSETS

Current assets:

Cash:

Unrestricted	\$ 806,171
Temporarily restricted for future periods	387,891
	<u>1,194,062</u>

Unconditional promises to give:

Unrestricted	17,500
Temporarily restricted for future periods	23,000
	<u>40,500</u>

Accounts receivable, trade, net of allowance for doubtful accounts	1,448
Prepaid expenses	29,705
Total current assets	<u>1,265,715</u>

Furniture and equipment, net 7,780

TOTAL ASSETS \$ 1,273,495

LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable and accrued expenses	\$ 116,187
Deferred revenue	80,306
Total current liabilities	<u>196,493</u>

Long-term liabilities

TOTAL LIABILITIES 196,493

Net assets:

Unrestricted	666,111
Temporarily restricted	410,891
Total net assets	<u>1,077,002</u>

TOTAL LIABILITIES AND NET ASSETS \$ 1,273,495

See accompanying notes.

THE CENTER OF NONPROFIT MANAGEMENT, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended December 31, 2017

	Unrestricted	Temporarily Restricted	Total
Revenues and support:			
Contributions and grants	\$ 17,253	\$ 613,010	\$ 630,263
Program service fees	843,949	-	843,949
Donated support	158,136	-	158,136
Special event income	123,750	-	123,750
Other income	1,200	-	1,200
Total revenue	1,144,288	613,010	1,757,298
Net assets released from restrictions	648,433	(648,433)	-
Total adjusted revenue	1,792,721	(35,423)	1,757,298
Expenses:			
Program services	1,004,210	-	1,004,210
Supporting services	298,196	-	298,196
Fundraising	228,190	-	228,190
Total expenses	1,530,596	-	1,530,596
Increase (decrease) in net assets	262,125	(35,423)	226,702
Net assets, beginning	403,986	446,314	850,300
Net assets, ending	\$ 666,111	\$ 410,891	\$ 1,077,002

See accompanying notes.

THE CENTER FOR NONPROFIT MANAGEMENT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2017

	Program Services	Supporting Services	Fundraising	Total
Contract services	\$ 78,944	\$ 25,113	\$ 2,110	\$ 106,167
Depreciation	4,484	1,373	1,033	6,890
Employee benefits	36,327	8,619	5,227	50,173
Equipment expense	2,238	4,472	516	7,226
Grants and gifts	651	329	26,934	27,914
Insurance	5,708	1,168	1,315	8,191
Local transportation	3,456	1,463	224	5,143
Marketing and communications	-	-	1,273	1,273
Meetings and events	1,889	621	34,974	37,484
Office supplies	13,197	3,736	2,811	19,744
Other expenses	17,412	9,718	3,658	30,788
Payroll taxes	42,145	12,900	9,709	64,754
Professional fees	24,313	34,720	5,562	64,595
Program elements	54,174	7,221	22,416	83,811
Rent and space	126,584	37,671	25,151	189,406
Salaries and wages	584,248	138,616	84,067	806,931
Shipping and delivery	106	(1,042)	24	(912)
Telephone	5,096	11,284	1,174	17,554
Travel	3,238	214	12	3,464
Total expenses	\$ 1,004,210	\$ 298,196	\$ 228,190	\$ 1,530,596

See accompanying notes.

THE CENTER FOR NONPROFIT MANAGEMENT, INC.

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2017

Cash flows from operating activities:

Increase in net assets	\$	226,702
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation and amortization		6,890
Net change in operating assets and liabilities:		
Unconditional promises to give		78,500
Receivables		3,222
Prepaid expenses		(14,283)
Accounts payable and accrued expenses		20,911
Deferred revenue		(29,181)
Net cash provided by operating activities		<u>292,761</u>
Net increase in cash		292,761
Cash at beginning of year		<u>901,301</u>
Cash at end of year	\$	<u><u>1,194,062</u></u>

See accompanying notes.

THE CENTER FOR NONPROFIT MANAGEMENT, INC.
Notes to Financial Statements
December 31, 2017

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, job boards, and executive recruiting. The Organization's support and revenues are derived primarily from program service fees and corporate and foundation contributions.

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, 2017

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 \$1,057,808 have been allocated among the programs and supporting services benefited. Indirect costs totaling \$472,788 have been allocated among the following functions: \$307,714 program services; \$94,189 supporting services and \$70,885 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, 2017, 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, 2017

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 2016, 2015 and 2014 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 March 19, 2018, which is the date the financial statements were available to be issued.

NOTE 3 – UNCONDITIONAL PROMISES TO GIVE

As of December 31, 2017, unconditional promises to give totaled \$35,500 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, 2017 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		80,734
		<hr/> <hr/> \$ 7,780

THE CENTER FOR NONPROFIT MANAGEMENT, INC.
Notes to Financial Statements
December 31, 2017

NOTE 5 – DEBT OBLIGATIONS

The Organization has an unsecured revolving line of credit of \$150,000 with a variable interest rate due May 2018. There were no advances outstanding on the line of credit as of December 31, 2017.

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. In 2015, the Organization established the Meadows Operating Reserve Fund whereby the Organization is to contribute a minimum of \$67,000 to a new Operating Reserve Fund each year for five years up to a total of \$335,000. The Meadows Operating Reserve Fund will be managed as a Board Designated Fund. The Organization contributed \$75,000 in 2015, 2016 and during the current year ended December 31, 2017 for a total of \$225,000. The Organization intends to contribute at least \$67,000 each year for two additional years or until the total Meadows Operating Reserve Fund reaches \$335,000.

In 2015, the Organization renamed the original Operating Reserve Fund to be the King Operating Reserve Fund. The Organization contributed \$25,000 in 2015, 2016 and contributed an additional \$25,000 during the current year ended December 31, 2017 for a total of \$75,000. 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, 2017:

Outcomes/ Evaluation Consulting and Technology Services	\$ 310,800
Education Services	69,187
Night of Light	29,921
Internal Technology	983
Total	<u><u>\$ 410,891</u></u>

THE CENTER FOR NONPROFIT MANAGEMENT, INC.
Notes to Financial Statements
December 31, 2017

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/ Evaluation Consulting and Technology Services	\$ 375,967
Education Services	128,028
Internal Technology	13,434
A Night of Light	<u>131,004</u>
	<u>\$ 648,433</u>

NOTE 8 – CONTRIBUTED GOODS AND SERVICES

The Organization received and recognized contributed goods and services for office space for \$158,136. 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	\$ 172,973
Executive Recruiting/Job Board	215,710
Leadership Consulting Services	91,189
Outcomes/ Evaluation Consulting and Technology Services	196,985
Agency Membership Fees	133,092
CNM-pact fees	<u>34,000</u>
	<u>\$ 843,949</u>

THE CENTER FOR NONPROFIT MANAGEMENT, INC.
Notes to Financial Statements
December 31, 2017

NOTE 10 – OPERATING LEASE

During 2017, the Organization leased a satellite office under a one-year lease for \$1,318 per month. The lease was cancelled effective February 28, 2018 due to new building ownership. Effective March 1, 2018, the Organization relocated the satellite office and entered into an eighty-four month lease. Future rent commitments are as follows:

<u>Year Ended December 31,</u>	<u>Amount</u>
2018	\$ 26,516
2019	28,656
2020	28,656
2021	29,696
2022	29,904
Thereafter	64,792
	<u>\$ 208,220</u>