

THE CENTER FOR NONPROFIT MANAGEMENT, INC.

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

March 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 March 31, 2016 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 March 31, 2016, 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.

Golden, Radd & Company, LLC

Dallas, Texas
July 6, 2016

THE CENTER FOR NONPROFIT MANAGEMENT, INC.
STATEMENT OF FINANCIAL POSITION
 March 31, 2016

ASSETS

Current assets:	
Cash	\$ 627,686
Unconditional promises to give	173,500
Accounts receivable, trade, net of allowance for doubtful accounts	21,865
Prepaid expenses	48,199
Total current assets	871,250
Furniture and equipment, net	28,511
TOTAL ASSETS	\$ 899,761

LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable and accrued expenses	\$ 160,691
Deferred revenue	85,087
Total current liabilities	245,778
Long-term liabilities	-
TOTAL LIABILITIES	245,778
Net assets:	
Unrestricted	319,077
Temporarily restricted	334,906
Total net assets	653,983
TOTAL LIABILITIES AND NET ASSETS	\$ 899,761

See accompanying notes.

THE CENTER OF NONPROFIT MANAGEMENT , INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year Ended March 31, 2016

	Unrestricted	Temporarily Restricted	Total
Revenues and support:			
Contributions and grants	\$ 403,508	\$ 543,597	\$ 947,105
Program service fees	824,184	-	824,184
Donated support	135,400	-	135,400
Special event income	186,795	-	186,795
Total revenue	<u>1,549,887</u>	<u>543,597</u>	<u>2,093,484</u>
Net assets released from restrictions	295,540	(295,540)	-
Total adjusted revenue	<u>1,845,427</u>	<u>248,057</u>	<u>2,093,484</u>
Expenses:			
Program services	1,330,042	-	1,330,042
Supporting services	165,991	-	165,991
Fundraising	366,202	-	366,202
Total expenses	<u>1,862,235</u>	<u>-</u>	<u>1,862,235</u>
Increase (decrease) in net assets	(16,808)	248,057	231,249
Net assets, beginning of year	<u>335,885</u>	<u>86,849</u>	<u>422,734</u>
Net assets, end of year	<u>\$ 319,077</u>	<u>\$ 334,906</u>	<u>\$ 653,983</u>

See accompanying notes.

THE CENTER FOR NONPROFIT MANAGEMENT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended March 31, 2016

	<u>Program Services</u>	<u>Supporting Services</u>	<u>Fundraising</u>	<u>Total</u>
Contract services	\$ 116,033	\$ 5,550	\$ 19,177	\$ 140,760
Depreciation	13,779	1,720	3,794	19,293
Employee benefits	61,682	6,235	13,716	81,633
Equipment expense	3,328	6,049	760	10,137
Grants and gifts	-	-	25,040	25,040
Insurance	8,850	1,085	2,394	12,329
Local transportation	3,937	211	911	5,059
Marketing and communications	2,467	134	2,848	5,449
Meetings and events	1,330	1,293	46,904	49,527
Office supplies	12,467	2,784	2,809	18,060
Other expenses	24,785	3,849	9,228	37,862
Payroll taxes	67,851	4,355	14,302	86,508
Professional fees	14,215	41,802	8,181	64,198
Program elements	67,020	1,518	34,602	103,140
Rent and space	117,363	11,184	24,674	153,221
Salaries and wages	796,491	77,123	153,887	1,027,501
Shipping and delivery	962	52	666	1,680
Telephone	15,804	976	2,152	18,932
Travel	1,678	71	157	1,906
	<u>\$ 1,330,042</u>	<u>\$ 165,991</u>	<u>\$ 366,202</u>	<u>\$ 1,862,235</u>
Total expenses	<u>\$ 1,330,042</u>	<u>\$ 165,991</u>	<u>\$ 366,202</u>	<u>\$ 1,862,235</u>

See accompanying notes.

THE CENTER FOR NONPROFIT MANAGEMENT, INC.
STATEMENT OF CASH FLOWS
Year Ended March 31, 2016

Cash flows from operating activities:	
Increase in net assets	\$ 231,249
Adjustments to reconcile net income to net cash provided (used) by operating activities:	
Depreciation and amortization	19,292
Net change in operating assets and liabilities:	
Unconditional promises to give	(91,891)
Receivables	89,251
Prepaid expenses	(45,870)
Accounts payable and accrued expenses	(83,153)
Deferred revenue	(19,026)
Net cash provided by operating activities	<u>99,852</u>
Cash flows from investing activities:	
Purchases of property and equipment	<u>(8,979)</u>
Net cash used in investing activities	<u>(8,979)</u>
Net increase in cash	90,873
Cash at beginning of year	<u>536,813</u>
Cash at end of year	<u>\$ 627,686</u>

See accompanying notes.

THE CENTER FOR NONPROFIT MANAGEMENT, INC.
Notes to Financial Statements
March 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.

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
March 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. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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 March 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
March 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 July 6, 2016, which is the date the financial statements were available to be issued.

NOTE 3 – UNCONDITIONAL PROMISES TO GIVE

As of March 31, 2016, unconditional promises to give totaled \$173,500 and consisted of receivables (primarily from corporations and foundations) with \$115,500 due in one year or less and \$58,000 due in calendar year 2017. The discount to present value was not material. Further, no allowance for doubtful accounts was considered necessary.

NOTE 4 – PROPERTY AND EQUIPMENT

At March 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
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	88,514
Less accumulated depreciation and amortization	60,003
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	\$ 28,511
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THE CENTER FOR NONPROFIT MANAGEMENT, INC.
Notes to Financial Statements
March 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 March 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. Beginning with the fiscal year ending March 31, 2016, CNM is to contribute a minimum of \$67,000 to an 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 ending March 31, 2016 requirement. The Organization intends to contribute at least \$67,000 each year for four 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 ending March 31, 2016 although 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 March 31, 2016:

Education program	\$ 156,742
Consulting program	26,822
Outcomes technology	131,033
Internal technology	<u>20,309</u>
Total	<u><u>\$ 334,906</u></u>

THE CENTER FOR NONPROFIT MANAGEMENT, INC.
Notes to Financial Statements
March 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:

Consulting program	25,678
Education program	140,558
Outcomes technology	68,970
Internal technology	32,834
A Night of Light	<u>27,500</u>
	<u>\$ 295,540</u>

NOTE 8 – CONTRIBUTED GOODS AND SERVICES

The Organization received and recognized contributed goods and services for office space for \$107,000, advertising for \$15,000 and \$13,400 for goods and services donated for the special event. These amounts are included as unrestricted contributions, expenses and direct donor benefit costs 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	\$ 185,962
Executive recruiting/job boards	269,008
Consulting	189,009
Agency membership fees	141,751
Other	<u>38,454</u>
	<u>\$ 824,184</u>