# THE CENTER FOR NONPROFIT MANAGEMENT, INC.

## FINANCIAL STATEMENTS
## AND
## INDEPENDENT AUDITORS' REPORT

**December 31, 2018**

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 financial statements of The Center for Nonprofit Management, Inc. (a Texas nonprofit organization), which comprise the statement of financial position as of December 31, 2018 and the related statements of activities, 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

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.

5429 LBJ Frwy Ste.350 • Dallas, Texas 75240
214.369.8200 • F: 214.692.9382 • www.gdrjcpa.com

**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, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Golden Redd & Company LLC

Dallas, Texas
April 4, 2019

**THE CENTER FOR NONPROFIT MANAGEMENT, INC.**
STATEMENT OF FINANCIAL POSITION
December 31, 2018

## ASSETS

| | | |
|---|---|---|
| **Current assets:** | | |
| Cash | $ | 1,403,037 |
| Unconditional promises to give | | 40,000 |
| Accounts receivable, trade, net of allowance for doubtful accounts | | 7,005 |
| Prepaid expenses | | 75,006 |
| Total current assets | | 1,525,048 |
| **Furniture and equipment, net** | | 15,398 |
| **Other Assets** | | 17,846 |
| **TOTAL ASSETS** | $ | 1,558,292 |

## LIABILITIES AND NET ASSETS

| | | |
|---|---|---|
| **Current liabilities:** | | |
| Accounts payable and accrued expenses | $ | 110,173 |
| Deferred revenue | | 96,078 |
| Total current liabilities | | 206,251 |
| **Long-term liabilities** | | - |
| **TOTAL LIABILITIES** | | 206,251 |
| **Net assets:** | | |
| Without donor restrictions: | | |
| Undesignated | | 702,911 |
| Operating reserve | | 335,000 |
| With donor restrictions | | 314,130 |
| Total net assets | | 1,352,041 |
| **TOTAL LIABILITIES AND NET ASSETS** | $ | 1,558,292 |

See accompanying notes.

**THE CENTER OF NONPROFIT MANAGEMENT , INC.**

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2018

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| **Revenues and support:** | | | |
| Contributions and grants | $ 19,311 | $ 721,521 | $ 740,832 |
| Program service fees | 898,040 | - | 898,040 |
| Donated support | 163,597 | - | 163,597 |
| Special event income | 125,075 | - | 125,075 |
| Other income | 4,316 | - | 4,316 |
| **Total revenue** | 1,210,339 | 721,521 | 1,931,860 |
| Net assets released from restrictions | 818,282 | (818,282) | - |
| **Total adjusted revenue** | 2,028,621 | (96,761) | 1,931,860 |
| **Expenses:** | | | |
| Program services | 1,195,520 | - | 1,195,520 |
| Supporting services | 304,313 | - | 304,313 |
| Fundraising | 156,988 | - | 156,988 |
| **Total expenses** | 1,656,821 | - | 1,656,821 |
| **Increase (decrease) in net assets** | 371,800 | (96,761) | 275,039 |
| **Net assets, beginning** | 666,111 | 410,891 | 1,077,002 |
| **Net assets, ending** | $ 1,037,911 | $ 314,130 | $ 1,352,041 |

See accompanying notes.

**THE CENTER FOR NONPROFIT MANAGEMENT, INC.**
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2018

| | Program Services | Supporting Services | Fundraising | Total |
|---|---|---|---|---|
| Contract services | $ 111,946 | $ 18,255 | $ 3,150 | $ 133,351 |
| Depreciation | 3,348 | 852 | 440 | 4,640 |
| Employee benefits | 41,490 | 9,796 | 3,150 | 54,436 |
| Equipment expense | 8,931 | 2,656 | 1,173 | 12,760 |
| Grants and gifts | - | - | 25,716 | 25,716 |
| Insurance | 584 | 9,786 | 77 | 10,447 |
| Local transportation | 8,670 | 1,187 | 216 | 10,073 |
| Marketing and communications | - | 15,260 | 4,502 | 19,762 |
| Meetings and events | 966 | 1,723 | 19,952 | 22,641 |
| Office supplies | 4,793 | 1,658 | 625 | 7,076 |
| Other expenses | 25,913 | 1,920 | 8 | 27,841 |
| Payroll taxes | 53,261 | 12,575 | 4,044 | 69,880 |
| Professional fees | - | 34,976 | - | 34,976 |
| Program elements | 117,599 | 871 | 28,273 | 146,743 |
| Rent and space | 154,815 | 32,877 | 16,427 | 204,119 |
| Salaries and wages | 648,278 | 156,072 | 47,401 | 851,751 |
| Shipping and delivery | 14 | 155 | - | 169 |
| Telephone | 13,471 | 3,428 | 1,769 | 18,668 |
| Travel | 1,441 | 266 | 65 | 1,772 |
| Total expenses | $ 1,195,520 | $ 304,313 | $ 156,988 | $ 1,656,821 |

See accompanying notes.

**THE CENTER FOR NONPROFIT MANAGEMENT, INC.**

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2018

| | | |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Increase in net assets | $ | 275,039 |
| Adjustments to reconcile net income to net cash provided (used) by operating activities: | | |
| Depreciation and amortization | | 4,640 |
| Net change in operating assets and liabilities: | | |
| Unconditional promises to give | | (4,500) |
| Receivables | | (557) |
| Prepaid expenses | | (45,301) |
| Accounts payable and accrued expenses | | (6,014) |
| Deferred revenue | | 15,773 |
| Net cash provided by operating activities | | 239,080 |
| **Cash flows from investing activities:** | | |
| Security deposits | | (17,846) |
| Purchases of property and equipment | | (12,259) |
| Net cash used in investing activities | | (30,105) |
| Net increase in cash | | 208,975 |
| Cash at beginning of year | | 1,194,062 |
| Cash at end of year | $ | 1,403,037 |

See accompanying notes.

## 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 outcomes and management consulting, seminars and job boards. 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** – During 2018, the Organization adopted the provisions of Accounting Standards Update ("ASU") 2016-14: Not-for-Profit-Entities (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities, which improves the current net asset classification and related information presented in the financial statements and notes about the Organization's liquidity and financial performance.

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:

> <u>Net Assets With Donor Restrictions-</u> Net assets subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or the passage of time.
>
> <u>Net Assets Without Donor Restrictions</u>- Net assets not subject to donor-imposed stipulations.

Revenues are reported as increases in net assets without donor restrictions unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of contributions with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the net asset classes. 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.

## 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 $1,414,877 have been allocated among the programs and supporting services benefited. Indirect costs totaling $241,944 have been allocated among the following functions: $174,684 program services; $44,518 supporting services and $22,742 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 and annual CNM pact fees are recognized as revenue over the membership period and CNM pact fee period. Revenues from education programs are recognized in the period the programs are held. Job board and consulting 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, 2018, the allowance for doubtful accounts was $4,000.

**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 |

## 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 2017, 2016 and 2015 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 2, 2019, which is the date the financial statements were available to be issued.

## NOTE 3 – UNCONDITIONAL PROMISES TO GIVE

As of December 31, 2018, unconditional promises to give totaled $40,000 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 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date. Amounts that are not available also include board designated amounts that could be utilized if the Board of Directors approved the use.

| | |
|---|---|
| Financial assets at December 31, 2018 | $ 1,450,042 |
| Less those unavailable for general expenditures within one year, due to: | |
| Board designaions: | |
| Amounts set asisde for liquidity reserve | 335,000 |
| Financial assets available to meet cash needs for general expenditures within one year | $ 1,115,042 |

## NOTE 5 – PROPERTY AND EQUIPMENT

At December 31, 2018 property and equipment consisted of the following:

| | | |
|---|---|---|
| Furniture and fixtures | $ | 16,684 |
| Office equipment | | 8,979 |
| Computer equipment | | 24,600 |
| Library books | | 4,250 |
| Computer software | | 46,260 |
| | | 100,773 |
| Less accumulated depreciation and amortization | | 85,375 |
| | $ | 15,398 |

## NOTE 6 – 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, 2018.

## NOTE 7 – 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 2017. During the current year ended December 31, 2018 the Organization contributed an additional $110,000 to fully fund the Fund at $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 2017. During the current year ended December 31, 2018 the Organization contributed an additional $25,000 to fully fund the Fund at $100,000. The Organization was not required to replenish the $100,000 contribution from the King Foundation.

## NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were available for the following purposes as of December 31, 2018:

| | |
|---|---|
| Subject to time restrictions: | |
| Outcomes/ Evaluation Consulting and Technology Services | $ 248,850 |
| Education Services | 35,605 |
| | 284,455 |
| Subject to purpose restrictions: | |
| Night of Light | 29,675 |
| Total | $ 314,130 |

## NOTE 9 – CONTRIBUTED GOODS AND SERVICES

The Organization received and recognized contributed goods and services for office space for $163,597. This amount is included as contributions without donor restrictions 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 10 – PROGRAM SERVICE FEE INCOME

The Organization earned the following program service fees:

| | |
|---|---|
| Education Services | $ 169,058 |
| Executive Recruiting/Job Board | 179,784 |
| Leadership Consulting Services | 160,077 |
| Outcomes/ Evaluation Consulting and Technology Services | 211,071 |
| Agency Membership Fees | 119,550 |
| CNM-pact fees | 58,500 |
| | $ 898,040 |

## NOTE 11 – OPERATING LEASE

The Organization received contributed goods and services for its Dallas office space for 2018. On November 5, 2018 the Organization enter into a 126 month lease for office space to be effective at the target commencement date, expected to be May, 2019. Effective March 1, 2018, the Organization relocated a satellite office and entered into an eighty-four month lease.

Future rent commitments are as follows:

| Year Ended December 31, | Amount |
|---|---|
| 2019 | $ 127,096 |
| 2020 | 176,994 |
| 2021 | 181,270 |
| 2022 | 186,378 |
| 2023 | 190,444 |
| Thereafter | 1,052,072 |
| | $ 1,914,254 |