

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

**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT**

**December 31, 2019**



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, 2019 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.

## 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, 2019, 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, Radd & Company, LLC*

Dallas, Texas  
April 16, 2020

**THE CENTER FOR NONPROFIT MANAGEMENT, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
December 31, 2019

**ASSETS**

<b>Current assets:</b>	
Cash	\$ 1,519,506
Unconditional promises to give	12,500
Accounts receivable, trade, net of allowance for doubtful accounts	36,552
Prepaid expenses	107,476
Total current assets	1,676,034
<b>Furniture and equipment, net</b>	119,384
<b>Other Assets</b>	17,846
<b>TOTAL ASSETS</b>	\$ 1,813,264

**LIABILITIES AND NET ASSETS**

<b>Current liabilities:</b>	
Accounts payable and accrued expenses	\$ 244,880
Deferred revenue	61,036
Total current liabilities	305,916
<b>Long-term liabilities</b>	-
<b>TOTAL LIABILITIES</b>	305,916
<b>Net assets:</b>	
Without donor restrictions:	
Undesignated	844,701
Operating reserve	335,000
With donor restrictions	327,647
Total net assets	1,507,348
<b>TOTAL LIABILITIES AND NET ASSETS</b>	\$ 1,813,264

See accompanying notes.

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

**STATEMENT OF ACTIVITIES**

For the Year Ended December 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Revenues and support:</b>			
Contributions and grants	\$ 190,312	\$ 483,000	\$ 673,312
Program service fees	888,535	-	888,535
Donated support	85,620	-	85,620
Special event income	110,824	-	110,824
Other income	600	-	600
<b>Total revenue</b>	<u>1,275,891</u>	<u>483,000</u>	<u>1,758,891</u>
Net assets released from restrictions	469,483	(469,483)	-
<b>Total adjusted revenue</b>	<u>1,745,374</u>	<u>13,517</u>	<u>1,758,891</u>
 <b>Expenses:</b>			
Program services	1,105,422	-	1,105,422
Supporting services	339,255	-	339,255
Fundraising	158,907	-	158,907
<b>Total expenses</b>	<u>1,603,584</u>	<u>-</u>	<u>1,603,584</u>
<b>Increase (decrease) in net assets</b>	141,790	13,517	155,307
<b>Net assets, beginning</b>	<u>1,037,911</u>	<u>314,130</u>	<u>1,352,041</u>
<b>Net assets, ending</b>	<u><u>\$ 1,179,701</u></u>	<u><u>\$ 327,647</u></u>	<u><u>\$ 1,507,348</u></u>

See accompanying notes.

**THE CENTER FOR NONPROFIT MANAGEMENT, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
For the Year Ended December 31, 2019

	Program Services	Supporting Services	Fundraising	Total
Contract services	\$ 90,365	\$ 6,607	\$ 1,951	\$ 98,923
Depreciation	9,759	4,152	1,410	15,321
Employee benefits	39,440	9,857	3,227	52,524
Equipment expense	-	1,289	-	1,289
Grants and gifts	-	176	31,003	31,179
Insurance	9,390	1,470	832	11,692
Local transportation	5,441	1,371	5	6,817
Marketing and communications	-	36,891	-	36,891
Meetings and events	-	1,796	44,450	46,246
Office supplies	8,220	2,349	1,175	11,744
Other expenses	24,413	1,524	-	25,937
Payroll taxes	47,376	11,915	4,197	63,488
Professional fees	-	52,566	-	52,566
Program elements	128,201	2,300	352	130,853
Rent and space	145,698	54,222	16,834	216,754
Salaries and wages	584,650	147,039	51,798	783,487
Shipping and delivery	-	298	-	298
Telephone	11,712	3,346	1,673	16,731
Travel	757	87	-	844
Total expenses	<u>\$ 1,105,422</u>	<u>\$ 339,255</u>	<u>\$ 158,907</u>	<u>\$ 1,603,584</u>

See accompanying notes.

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

**STATEMENT OF CASH FLOWS**

For the Year Ended December 31, 2019

**Cash flows from operating activities:**

Increase in net assets	\$	155,307
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation and amortization		15,321
Net change in operating assets and liabilities:		
Unconditional promises to give		27,500
Receivables		(29,547)
Prepaid expenses		(32,470)
Accounts payable and accrued expenses		134,707
Deferred revenue		(35,042)
Net cash provided by operating activities		<u>235,776</u>

**Cash flows from investing activities:**

Purchases of property and equipment		<u>(119,307)</u>
Net cash used in investing activities		<u>(119,307)</u>
Net increase in cash		116,469
Cash at beginning of year		<u>1,403,037</u>
Cash at end of year	\$	<u><u>1,519,506</u></u>

See accompanying notes.

**THE CENTER FOR NONPROFIT MANAGEMENT, INC.**  
**Notes to Financial Statements**  
**December 31, 2019**

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**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:

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

Net Assets Without Donor Restrictions- 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.



**THE CENTER FOR NONPROFIT MANAGEMENT, INC.**  
**Notes to Financial Statements**  
**December 31, 2019**

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**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 \$1,334,715 have been allocated among the programs and supporting services benefited. Indirect costs totaling \$268,869 have been allocated among the following functions: \$178,552 program services; \$66,443 supporting services and \$23,874 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. Annual membership dues are recognized as revenue over the membership period and only the portion of annual CNM-pact fees applicable for the current year are recognized as revenue. 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, 2019, 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

**THE CENTER FOR NONPROFIT MANAGEMENT, INC.**  
**Notes to Financial Statements**  
**December 31, 2019**

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**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 2018, 2017 and 2016 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 16, 2020, which is the date the financial statements were available to be issued.

**NOTE 3 – UNCONDITIONAL PROMISES TO GIVE**

As of December 31, 2019, unconditional promises to give totaled \$12,500 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 – 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, 2019	\$ 1,568,558
Less those unavailable for general expenditures within one year, due to:	
Board designations:	
Amounts set aside for liquidity reserve	<u>335,000</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 1,233,558</u></u>

**THE CENTER FOR NONPROFIT MANAGEMENT, INC.**  
**Notes to Financial Statements**  
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**NOTE 5 – PROPERTY AND EQUIPMENT**

At December 31, 2019 property and equipment consisted of the following:

Furniture and fixtures	\$ 85,131
Office equipment	8,979
Computer equipment	63,671
Library books	4,250
Leasehold improvements	11,789
Computer software	46,260
	<u>220,080</u>
Less accumulated depreciation and amortization	100,696
	<u><u>\$ 119,384</u></u>

**NOTE 6 – DEBT OBLIGATIONS**

The Organization had an unsecured revolving line of credit of \$150,000 with a variable interest rate due May 2019. There were no outstanding advances and the Organization did not renew the line.

**NOTE 7 – OPERATING RESERVE FUNDS**

The Organization maintains two operating reserve funds. The King Operating Reserve Fund, originally funded by the King Foundation, is for general operations and if used does not need to be replenished. The Meadows Operating Reserve Fund, originally funded by the Meadows Foundation, will be managed as a Board Designated Fund.

**NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS**

Subject to time restrictions:	
Outcomes/ Evaluation Consulting and Technology Services	\$ 182,258
Education Services	69,454
Operations	43,750
	<u>295,462</u>
Subject to purpose restrictions:	
Night of Light	32,185
	<u>32,185</u>
Total	<u><u>\$ 327,647</u></u>

**THE CENTER FOR NONPROFIT MANAGEMENT, INC.**  
**Notes to Financial Statements**  
**December 31, 2019**

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**NOTE 9 – CONTRIBUTED GOODS AND SERVICES**

The Organization received and recognized \$85,620 in contributed goods and services including four months of office space. 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	\$ 141,631
Job Board	147,666
Leadership Consulting Services	88,185
Outcomes/ Evaluation Consulting and Technology Services	248,918
Agency Membership Fees	125,631
Grant writing services	46,000
CNM-pact fees	<u>90,504</u>
	<u>\$ 888,535</u>

**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 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:

2020	\$ 176,994
2021	181,270
2022	186,378
2023	190,444
2024	194,502
Thereafter	<u>857,570</u>
	<u>\$ 1,787,158</u>