

THE CENTER FOR NONPROFIT MANAGEMENT, INC.

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

December 31, 2020



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, 2020 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, 2020, 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, Rodd & Company, LLC

Dallas, Texas
April 14, 2021

THE CENTER FOR NONPROFIT MANAGEMENT, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2020

ASSETS

Current assets:	
Cash	\$ 1,608,049
Unconditional promises to give	30,000
Accounts receivable, trade, net of allowance for doubtful accounts	10,200
Prepaid expenses	106,954
Total current assets	1,755,203
Furniture and equipment, net	99,641
Other Assets	17,846
TOTAL ASSETS	\$ 1,872,690

LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable and accrued expenses	\$ 269,587
Deferred revenue	53,400
Total current liabilities	322,987
Long-term liabilities	-
TOTAL LIABILITIES	322,987
Net assets:	
Without donor restrictions:	
Undesignated	1,004,284
Operating reserve	335,000
With donor restrictions	210,419
Total net assets	1,549,703
TOTAL LIABILITIES AND NET ASSETS	\$ 1,872,690

See accompanying notes.

THE CENTER OF NONPROFIT MANAGEMENT , INC.

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and support:			
Contributions and grants	\$ 212,689	\$ 521,484	\$ 734,173
Program service fees	812,579	-	812,579
Donated support	2,500	-	2,500
Total revenue	<u>1,027,768</u>	<u>521,484</u>	<u>1,549,252</u>
Net assets released from restrictions	638,712	(638,712)	-
Total adjusted revenue	<u>1,666,480</u>	<u>(117,228)</u>	<u>1,549,252</u>
Expenses:			
Program services	1,178,550	-	1,178,550
Supporting services	280,525	-	280,525
Fundraising	47,822	-	47,822
Total expenses	<u>1,506,897</u>	<u>-</u>	<u>1,506,897</u>
Increase (decrease) in net assets	159,583	(117,228)	42,355
Net assets, beginning	<u>1,179,701</u>	<u>327,647</u>	<u>1,507,348</u>
Net assets, ending	<u>\$ 1,339,284</u>	<u>\$ 210,419</u>	<u>\$ 1,549,703</u>

See accompanying notes.

THE CENTER FOR NONPROFIT MANAGEMENT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2020

	Program Services	Supporting Services	Fundraising	Total
Contract services	\$ 48,371	\$ 5,440	\$ 1,090	\$ 54,901
Depreciation	15,761	3,197	785	19,743
Employee benefits	38,115	7,732	1,898	47,745
Equipment expense	-	4,885	-	4,885
Grants and gifts	-	340	-	340
Insurance	8,281	1,680	412	10,373
Local transportation	689	265	-	954
Marketing and communications	-	2,652	-	2,652
Meetings and events	-	286	-	286
Office supplies	-	519	155	674
Other expenses	15,631	9,451	-	25,082
Payroll taxes	51,186	10,385	2,549	64,120
Professional fees	-	63,567	-	63,567
Program elements	148,992	2,828	-	151,820
Rent and space	205,842	35,795	8,785	250,422
Salaries and wages	632,669	128,350	31,500	792,519
Shipping and delivery	-	513	-	513
Telephone	13,013	2,640	648	16,301
Total expenses	<u>\$ 1,178,550</u>	<u>\$ 280,525</u>	<u>\$ 47,822</u>	<u>\$ 1,506,897</u>

See accompanying notes.

THE CENTER FOR NONPROFIT MANAGEMENT, INC.

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2020

Cash flows from operating activities:

Increase in net assets	\$	42,355
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation and amortization		19,743
Net change in operating assets and liabilities:		
Unconditional promises to give		(17,500)
Receivables		26,352
Prepaid expenses		522
Accounts payable and accrued expenses		24,707
Deferred revenue		<u>(7,636)</u>
Net cash provided by operating activities		<u>88,543</u>
Net increase in cash		88,543
Cash at beginning of year		<u>1,519,506</u>
Cash at end of year	\$	<u><u>1,608,049</u></u>

See accompanying notes.

THE CENTER FOR NONPROFIT MANAGEMENT, INC.
Notes to Financial Statements
December 31, 2020

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 board. 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:

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.

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 \$1,212,414 have been allocated among the programs and supporting services benefited. Indirect costs totaling \$294,483 have been allocated among the following functions: \$144,115 program services; \$134,468 supporting services and \$15,900 fundraising.

THE CENTER FOR NONPROFIT MANAGEMENT, INC.
Notes to Financial Statements
December 31, 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2020, 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

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.

THE CENTER FOR NONPROFIT MANAGEMENT, INC.
Notes to Financial Statements
December 31, 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 2019, 2018 and 2017 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 14, 2021, which is the date the financial statements were available to be issued.

NOTE 3 – UNCONDITIONAL PROMISES TO GIVE

As of December 31, 2020, unconditional promises to give totaled \$30,000 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, 2020	\$ 1,648,249
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>\$ 1,313,249</u></u>

THE CENTER FOR NONPROFIT MANAGEMENT, INC.
Notes to Financial Statements
December 31, 2020

NOTE 5 – PROPERTY AND EQUIPMENT

At December 31, 2020 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		120,439
		<u><u>\$ 99,641</u></u>

NOTE 6 – OPERATING RESERVE FUNDS

The Organization maintains two operating reserve funds. The CNM Operating Reserve Fund 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 7 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes for the operating year 2021:

Outcomes and Evaluation Consulting and Technology Services	\$	87,922
CNM Board Scholarship Fund (across CNM services)		43,739
Education Services		12,502
Strategic Consulting Services		1,668
Operations		<u>64,588</u>
Total		<u><u>\$ 210,419</u></u>

NOTE 8 – CONTRIBUTED GOODS AND SERVICES

The Organization received and recognized \$2,500 in contributed goods and services during 2020. 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.

THE CENTER FOR NONPROFIT MANAGEMENT, INC.
Notes to Financial Statements
December 31, 2020

NOTE 9 – PROGRAM SERVICE FEE INCOME

The Organization earned the following program service fees:

Education Services	\$ 130,628
Job Board	88,872
Strategic Consulting Services	58,224
Outcomes/ Evaluation Consulting and Technology Services	261,845
Agency Membership Fees	120,411
Grant writing services	16,598
CNM-pact fees	<u>136,001</u>
	<u>\$ 812,579</u>

NOTE 10 – OPERATING LEASE

On November 5, 2018 the Organization entered into a 126 month lease for its Dallas office to be effective May, 2019. Effective March 1, 2018, the Organization relocated the Fort Worth office and entered into an eighty-four month lease.

Future rent commitments are as follows:

2021	\$ 181,270
2022	186,378
2023	190,444
2024	194,502
2025	173,650
Thereafter	<u>683,920</u>
	<u>\$ 1,610,164</u>

NOTE 11 - PAYCHECK PROTECTION PROGRAM

In April 2020, the Organization received a Small Business Administration (“SBA”) Paycheck Protection Program (“PPP”) loan for \$149,400 aimed at providing COVID-19 relief. The Company used qualified expenditures under the program to qualify for debt cancellation. The loan was fully forgiven by the SBA in November 2020. The debt extinguishment revenue is included in contributions and grants in the statement of activities.

In January 2021, the Organization applied for and was approved for a second draw PPP loan in the amount of \$154,211. The loan will be forgiven if the Organization utilizes at least 60% of the funds for payroll and related costs, and maintains employment and wage levels during the coverage period in accordance with SBA requirements.