THE CENTER FOR NONPROFIT MANAGEMENT, INC.

FINANCIAL STATEMENTS
AND
REPORT OF INDEPENDENT AUDITORS

December 31, 2022

GOLDEN, REDD
& COMPANY, LLC
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors
The Center for Nonprofit Management, Inc.

Opinion

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, 2022 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes (collectively referred to as the "financial statements."

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, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial statements section of our report. We are required to be independent of The Center for Nonprofit Management, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Center for Nonprofit Management, Inc's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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Auditor's Responsibility for the Audit of the Financial Statements

Our responsibility is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood, that individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Center for Nonprofit Management, Inc.'s internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt abouts The Center for Nonprofit Management, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Golden, Redd & Company, LLC

Dallas, Texas
April 24, 2023

THE CENTER FOR NONPROFIT MANAGEMENT, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2022

ASSETS

Current assets:	
Cash	$ 2,035,295
Unconditional promises to give	115,000
Accounts receivable, trade, net of allowance for doubtful accounts	24,925
Prepaid expenses	117,467
Total current assets	2,292,687
Furniture and equipment, net	89,467
Other Assets	
Security deposit	17,846
Right of use asset	1,178,924
	1,196,770
TOTAL ASSETS	$ 3,578,924

LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable and accrued expenses	$ 291,235
Current portion of lease liability	173,395
Deferred revenue	293,938
Total current liabilities	758,568
Long-term liabilities	
Lease liability - net of current portion	1,005,529
TOTAL LIABILITIES	1,764,097
Net assets:	
Without donor restrictions:	
Undesignated	1,082,660
Operating reserve	335,000
With donor restrictions	397,167
Total net assets	1,814,827
TOTAL LIABILITIES AND NET ASSETS	$ 3,578,924

See accompanying notes.

THE CENTER OF NONPROFIT MANAGEMENT, INC.
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and support:			
Contributions and grants	$ 189,890	$ 813,000	$ 1,002,890
Program service fees	822,026	-	822,026
Donated support	73,000	-	73,000
Total revenue	1,084,916	813,000	1,897,916
Net assets released from restrictions	672,288	(672,288)	-
Total adjusted revenue	1,757,204	140,712	1,897,916
Expenses:			
Program services	1,315,192	-	1,315,192
Supporting services	320,442	-	320,442
Fundraising	100,154	-	100,154
Total expenses	1,735,788	-	1,735,788
Increase in net assets	21,416	140,712	162,128
Net assets, beginning	1,396,244	256,455	1,652,699
Net assets, ending	$ 1,417,660	$ 397,167	$ 1,814,827

See accompanying notes.

THE CENTER FOR NONPROFIT MANAGEMENT, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2022

	Program Services	Supporting Services	Fundraising	Total
Contract services	$ 117,582	$ 18,599	$ 1,405	$ 137,586
Depreciation	15,370	3,431	965	19,766
Employee benefits	48,050	10,727	3,015	61,792
Equipment expense	-	-	4,889	4,889
Grants and gifts	591	1,680	-	2,271
Insurance	8,860	1,978	556	11,394
Local transportation	1,938	520	-	2,458
Marketing and communications	3,496	2,022	26,000	31,518
Meetings and events	-	1,498	7,033	8,531
Office supplies	1,266	2,831	37	4,134
Other expenses	19,044	-	-	19,044
Payroll taxes	57,324	12,798	3,597	73,719
Professional fees	-	76,778	-	76,778
Program elements	171,427	-	-	171,427
Rent and space	215,415	41,413	11,641	268,469
Salaries and wages	645,371	144,079	40,500	829,950
Shipping and delivery	184	217	-	401
Travel	1,052	36	-	1,088
Telephone	8,222	1,835	516	10,573
Total expenses	$ 1,315,192	$ 320,442	$ 100,154	$ 1,735,788

See accompanying notes.

THE CENTER FOR NONPROFIT MANAGEMENT, INC.
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2022

Cash flows from operating activities:		
Increase in net assets	$	162,128
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation and amortization		19,767
Net change in operating assets and liabilities:		
Unconditional promises to give		(114,862)
Receivables		(5,875)
Prepaid expenses		(7,178)
Accounts payable and accrued expenses		96,920
Deferred revenue		245,009
Net cash provided by operating activities		395,909
Cash flows from investing activities:		
Purchases of property and equipment		(27,814)
Net cash used in investing activities		(27,814)
Net increase in cash		368,095
Cash at beginning of year		1,671,863
Cash at end of year	$	2,039,958

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 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:

> <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.

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 $1,257,664 have been allocated among the programs and supporting services benefited. Indirect costs totaling $478,124 have been allocated among the following functions: $372,937 program services; $81,281 supporting services and $23,906 fundraising.

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 exceeds federally insurance limits, with high credit quality financial institutions. The Organization has not experienced any losses on such amounts.

Promises to Give - Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional.

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.

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, 2022, 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 is sold or otherwise disposed of, the asset and related accumulated depreciation is 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.

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 2020, 2019 and 2018 are subject to possible examination by the IRS, generally for three years after they are filed.

Leases - The Organization is a lessee for two noncancellable leases for office suites. The Organization recognizes a lease liability and an intangible right-to-use lease assets (lease asset) in the Statement of Financial Position.

At the commencement of a lease, the Organization initially measures the lease liability at the present value payments expected to be made during the lease term. Subsequently, the lease cost is allocated over the lease term on a straight-line basis.

Key estimates and judgements related to leases include how the Organization determines the (1) discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments. The Organization has made an accounting policy election to use a risk-free rate in lieu of its incremental borrowing rate to discount future lease payments. The weighted average discount rate applied to calculate lease liabilities as of December 31, was 1.55%. The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments, variable payments fixed in substance or that depend on an index or a rate, lease incentives receivable from the lessor, and any other payments that are reasonable certain of being required based on an assessment of all relevant factors.

Date of Management's Review – Subsequent events have been evaluated for potential recognition or disclosure through April 24, 2023, which is the date the financial statements were available to be issued.

NOTE 3 – PROPERTY AND EQUIPMENT

At December 31, 2022 property and equipment consisted of the following:

Furniture and fixtures	$ 85,131
Office equipment	8,979
Computer equipment	91,486
Library books	4,250
Leasehold improvements	11,789
Computer software	46,260
	247,895
Less accumulated depreciation and amortization	158,428
	$ 89,467

NOTE 4 – 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 5 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes for the operating year 2022:

Outcomes and Evaluation Consulting and Technology Services	$ 60,083
CNM Board Scholarship Fund (across CNM services)	58,750
Dallas/ Mesquite Partnership	75,000
Certicate Program	22,917
Operations	180,417
Total	$ 397,167

NOTE 6 – 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, 2022	$ 2,175,220
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	$ 1,840,220

NOTE 7 – CONTRIBUTED GOODS AND SERVICES

The Organization received and recognized $73,000 in contributed goods and services during 2022. 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 8 – PROGRAM SERVICE FEE INCOME

The Organization earned the following program service fees:

Education Services	$ 152,065
Job Board	156,644
Strategic Consulting Services	56,900
Outcomes/ Evaluation Consulting and Technology Services	159,303
Agency Membership Fees	115,614
CNM-pact fees	181,500
	$ 822,026

NOTE 9 – OPERATING LEASE

Organization's operating leases consist of real estate leases for office space. For the year ended December 31, 2022, total operating lease cost was $227,208. As of December 31, 2022, the weighted-average remaining lease term for the Organization's operating leases was approximately 7 years.

Future rent commitments are as follows:

Year Ended December 31,	Amount
2023	$ 190,444
2024	194,502
2025	173,650
2026	172,732
2027	176,790
Thereafter	334,398
	$ 1,242,516
Less present value discount	(63,592)
Total lease obligations	$ 1,178,924