

THE CENTER FOR NONPROFIT MANAGEMENT, INC.

**FINANCIAL STATEMENTS
AND
REPORT OF INDEPENDENT AUDITORS**

December 31, 2023



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, 2023 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related disclosures (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, 2023, 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.

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 about 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 18, 2024

THE CENTER FOR NONPROFIT MANAGEMENT, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2023

ASSETS

Current assets:

Cash and cash equivalents	\$ 2,294,876
Unconditional promises to give	10,000
Accounts receivable, trade, net of allowance for doubtful accounts	84,824
Prepaid expenses	127,987
Total current assets	<u>2,517,687</u>

Furniture and equipment, net 65,537

Other Assets

Security deposit	17,846
Right of use asset	873,959
	<u>891,805</u>

TOTAL ASSETS \$ 3,475,029

LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable and accrued expenses	\$ 215,897
Current portion of lease liability	182,269
Deferred revenue	474,897
Total current liabilities	<u>873,063</u>

Long-term liabilities

Lease liability - net of current portion	<u>786,533</u>
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TOTAL LIABILITIES 1,659,596

Net assets:

Without donor restrictions:	
Undesignated	1,048,135
Operating reserve	335,000
With donor restrictions	432,298
Total net assets	<u>1,815,433</u>

TOTAL LIABILITIES AND NET ASSETS \$ 3,475,029

See accompanying notes.

THE CENTER OF NONPROFIT MANAGEMENT, INC.

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and support:			
Contributions and grants	\$ 641,578	\$ 752,000	\$ 1,393,578
Program service fees	725,209	-	725,209
Donated support	17,000	-	17,000
Other income	16,306	-	16,306
Total revenue	<u>1,400,093</u>	<u>752,000</u>	<u>2,152,093</u>
Net assets released from restrictions	716,869	(716,869)	-
Total adjusted revenue	<u>2,116,962</u>	<u>35,131</u>	<u>2,152,093</u>
Expenses:			
Program services	1,646,248	-	1,646,248
Supporting services	389,781	-	389,781
Fundraising	115,458	-	115,458
Total expenses	<u>2,151,487</u>	<u>-</u>	<u>2,151,487</u>
Increase (decrease) in net assets	(34,525)	35,131	606
Net assets, beginning	<u>1,417,660</u>	<u>397,167</u>	<u>1,814,827</u>
Net assets, ending	<u>\$ 1,383,135</u>	<u>\$ 432,298</u>	<u>\$ 1,815,433</u>

See accompanying notes.

THE CENTER FOR NONPROFIT MANAGEMENT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2023

	Program Services	Supporting Services	Fundraising	Total
Contract services	\$ 384,251	\$ 10,989	\$ 2,047	\$ 397,287
Depreciation	20,481	5,291	2,067	27,839
Employee benefits	50,475	13,039	5,095	68,609
Equipment expense	-	5,160		5,160
Grants and gifts	-	(3,200)	2,325	(875)
Insurance	8,248	2,131	833	11,212
Local transportation	3,576	3,053	-	6,629
Marketing and communications	-	2,849	-	2,849
Meetings and events	852	3,426	8,064	12,342
Office supplies	1,689	3,244	40	4,973
Other expenses	271	14,121	-	14,392
Payroll taxes	54,838	14,167	5,536	74,541
Professional fees	-	79,800	-	79,800
Program elements	205,613	2,309	-	207,922
Rent and space	208,204	46,069	18,012	272,285
Salaries and wages	699,632	180,738	70,625	950,995
Shipping and delivery	57	725	-	782
Travel	-	3,788	-	3,788
Telephone	8,061	2,082	814	10,957
Total expenses	<u>\$ 1,646,248</u>	<u>\$ 389,781</u>	<u>\$ 115,458</u>	<u>\$ 2,151,487</u>

See accompanying notes.

THE CENTER FOR NONPROFIT MANAGEMENT, INC.

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2023

Cash flows from operating activities:

Increase in net assets	\$	606
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation and amortization		27,839
Net change in operating assets and liabilities:		
Unconditional promises to give		105,000
Receivables		(59,899)
Prepaid expenses		(10,520)
Accounts payable and accrued expenses		19,506
Deferred revenue		180,959
Net cash provided by operating activities		<u>263,491</u>

Cash flows from investing activities:

Purchases of property and equipment		<u>(3,910)</u>
Net cash used in investing activities		<u>(3,910)</u>

Net increase in cash 259,581

Cash and cash equivalents, beginning of year 2,035,295

Cash and cash equivalents, end of year \$ 2,294,876

See accompanying notes.

THE CENTER FOR NONPROFIT MANAGEMENT, INC.
Notes to Financial Statements
December 31, 2023

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 \$1,688,393 have been allocated among the programs and supporting services benefited. Indirect costs totaling \$463,094 have been allocated among the following functions: \$340,673 program services; \$88,017 supporting services and \$34,404 fundraising.

THE CENTER FOR NONPROFIT MANAGEMENT, INC.
Notes to Financial Statements
December 31, 2023

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 insured 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. CNM-pact customers pay a full year’s fee at the beginning of the year. New CNM pact customers pay a partial fee for the first year. 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, 2023, 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.

THE CENTER FOR NONPROFIT MANAGEMENT, INC.
Notes to Financial Statements
December 31, 2023

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 2022, 2021 and 2020 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 January 1, 2022, date of adoption, was 1.44%. 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 __, 2024, which is the date the financial statements were available to be issued.

NOTE 3 – PROPERTY AND EQUIPMENT

At December 31, 2023 property and equipment consisted of the following:

Furniture and fixtures	\$ 85,131
Office equipment and other	17,138
Computer equipment	91,486
Leasehold improvements	11,789
Computer software	46,260
	<u>251,804</u>
Less accumulated depreciation and amortization	186,267
	<u><u>\$ 65,537</u></u>

THE CENTER FOR NONPROFIT MANAGEMENT, INC.
Notes to Financial Statements
December 31, 2023

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 2023:

Outcomes and Evaluation Consulting and Technology Services	\$ 59,167
CNM Board Scholarship Fund (across CNM services)	210,274
Dallas/ Mesquite Partnership	17,857
Certificate Program	45,000
Operations	65,417
Other	<u>34,583</u>
Total	<u><u>\$ 432,298</u></u>

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, 2023	\$ 2,389,700
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>\$ 2,054,700</u></u>

NOTE 7 – CONTRIBUTED GOODS AND SERVICES

The Organization received and recognized \$17,000 in contributed goods and services during 2023. 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, 2023

NOTE 8 – PROGRAM SERVICE FEE INCOME

The Organization earned the following program service fees:

Education Services	\$ 110,285
Job Board	111,043
Strategic Consulting Services	99,750
Outcomes/ Evaluation Consulting and Technology Services	156,781
Agency Membership Fees	102,850
CNM-pact fees	<u>144,500</u>
	<u>\$ 725,209</u>

NOTE 9 – OPERATING LEASE

Organization’s operating leases consist of real estate leases for office space. For the year ended December 31, 2023, total operating lease cost was \$229,928. As of December 31, 2023, the weighted-average remaining lease term for the Organization’s operating leases was approximately six years.

Future rent commitments are as follows:

<u>Year Ended December 31,</u>	Amount
2024	\$ 194,845
2025	173,989
2026	173,069
2027	177,134
2028	181,200
Thereafter	<u>107,478</u>
	\$ 1,007,715
Less present value discount	<u>(38,913)</u>
Total lease obligations	<u>\$ 968,802</u>