The Center for Nonprofit Management, Inc.

Financial Statements and Independent Auditor's Report

Year Ended December 31, 2024

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

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, 2024 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to 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, 2024, 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.

Management's Responsibility 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.

Lawrence J. Beardsley CPA, PLLC
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Auditor's Responsibility for the Financial Statements

Our objectives are 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 GAAS, we:

Exercise professional judgment 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 Organization'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 judgment, there are conditions or events considered in the aggregate, which raises substantial doubt about the Organization'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.

Respectfully,

Lawrence J. Beardsley CPA PLLC

Lawrence J. Beardsley CPA, PLLC
Dallas, Texas
May 16, 2025

Assets		
Current assets		
Cash and cash equivalents	$	1,566,873
Unconditional promises to give		15,000
Accounts receivable, trade, net of allowance for doubtful accounts		64,337
Prepaid expenses		91,919
Total current assets		1,738,129
Furniture and equipment, net		48,768
Other assets		
Security deposit		17,846
Right of use asset		699,380
Total other assets		717,226
Total assets	**$**	**2,504,123**
Liabilities and net assets		
Current liabilities		
Accounts payable and accrued expenses	$	157,098
Current portion of lease liability		181,921
Total current liabilities		339,019
Long-term liabilities		
Lease liability - net of current portion		604,612
Total long-term liabilities		604,612
Total liabilities		943,631
Net assets		
Without donor restrictions		
Undesignated		1,039,659
Operating reserve		335,000
With donor restrictions		185,833
Total net assets		1,560,492
Total liabilities and net assets	**$**	**2,504,123**

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and support			
Contributions and grants	$ 702,491	$ 999,100	$ 1,701,591
Program service fees	731,995	-	731,995
Investment income	52,094	-	52,094
Total revenue	1,486,580	999,100	2,485,680
Net assets released from restrictions	1,245,565	(1,245,565)	-
Total adjusted revenue	2,732,145	(246,465)	2,485,680
Expenses			
Program services	2,196,670	-	2,196,670
Supporting services	433,034	-	433,034
Fundraising	110,917	-	110,917
Total expenses	2,740,621	-	2,740,621
Increase (decrease) in net assets	**(8,476)**	**(246,465)**	**(254,941)**
Net assets, beginning	**1,383,135**	**432,298**	**1,815,433**
Net assets, ending	**$ 1,374,659**	**$ 185,833**	**$ 1,560,492**

	Program Services	Supporting Services	Fundraising	Total
Contract Services	$ 914,123	$ 37,189	$ 1,838	$ 953,150
Depreciation	17,708	4,547	1,675	23,930
Employee benefits	41,135	10,562	3,891	55,588
Equipment expense	-	4,381	-	4,381
Grants and gifts	301	95	2,080	2,476
Insurance	10,239	2,629	968	13,836
Local transportation	4,965	6,747	-	11,712
Marketing and communications	-	720	-	720
Meetings and events	820	3,689	7,524	12,033
Office supplies	776	3,694	-	4,470
Other expenses	107	15,327	-	15,434
Payroll taxes	51,186	13,142	4,842	69,170
Professional fees	-	85,061	-	85,061
Program elements	194,182	3,822	10	198,014
Rent and space	210,689	46,417	17,101	274,207
Salaries and wages	740,792	190,203	70,075	1,001,070
Shipping and delivery	-	1,801	-	1,801
Travel	-	531	-	531
Telephone	9,647	2,477	913	13,037
Total expenses	**$ 2,196,670**	**$ 433,034**	**$ 110,917**	**$ 2,740,621**

Cash flows from operating activities	
Decrease in net assets	$ (254,941)
Adjustments to reconcile decrease in net assets provided (used) by operating activities:	
Depreciation and amortization	23,930
Net change in operating assets and liabilities	
Unconditional promises to give	(5,000)
Receivables	20,487
Prepaid expenses	36,068
Accounts payable and accrued expenses	(66,488)
Deferred revenue	(474,897)
Net cash used in operating activities	(720,841)
Cash flows from investing activities	
Purchases of property and equipment	(7,162)
Net cash flows used in investing activities	(7,162)
Net change in cash and cash equivalents	(728,003)
Cash and cash equivalents, beginning	**2,294,876**
Cash and cash equivalents, ending	**$ 1,566,873**

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.

<u>Financial Statement Presentation</u>
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.

<u>Use of Estimates</u>
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 Allocations 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 $2,294,501 have been allocated among the programs and supporting services benefited. Indirect costs totaling $446,120 have been allocated among the following functions: $330,129 program services; $84,763 supporting services and $31,228 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 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, 2024, 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.

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 2023, 2022 and 2021 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 Review
Subsequent events have been evaluated for potential recognition or disclosure through May 16, 2025, which is the date the financial statements were available to be issued.

Note 3 – Property and Equipment

At December 31, 2024 property and equipment consisted of the following:

Furniture and fixtures	$ 85,131
Office equipment and other	12,888
Computer equipment	91,486
Leasehold improvements	18,950
Computer software	46,260
	254,715
Less accumulated depreciation and amortization	205,947
	$ 48,768

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 2024:

Outcomes and Evaluation Consulting and Technology Services	$	87,500
Certificate program		30,000
Operations		45,833
Other		22,500
Total	$	185,833

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, 2024	$	1,646,210
Less those unavailable for general expenditures within one year, due to:		
Board designations:		
Amounts set aside for liquidity reserve		335,000
Financial assets available to meet cash needs for general expenditures within one year	$	1,311,210

Note 7 – Contributed Goods and Services

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	$	135,975
Job Board		77,604
Strategic Consulting Services		60,496
Outcomes/Evaluation Consulting and Technology Services		207,607
Agency Membership Fees		118,438
CNM-pact fees		131,875
	$	731,995

Note 9 – Operating Lease

The Organization's operating leases consist of real estate leases for office space. For the year ended December 31, 2024, total operating lease cost was $229,928. As of December 31, 2024, the weighted-average remaining lease term for the Organization's operating leases was approximately five years.

Future rent commitments are as follows:

Year Ended December 31,		Amount
2025	$	173,650
2026		172,732
2027		176,790
2028		180,858
2029		107,478
		811,508
Less present value discount		(24,975)
Total lease obligations	$	786,533