CENTER FOR NONPROFIT MANAGEMENT, INC.

FINANCIAL STATEMENTS

December 31, 2016 and 2015

CENTER FOR NONPROFIT MANAGEMENT, INC.

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FRASIERDEAN
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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Center for Nonprofit Management, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits 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 auditor's judgment, including the assessment of the risks 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.

Frasier, Dean & Howard, PLLC • 3310 West End Avenue, Suite 550 • Nashville, Tennessee 37203-1089 • 615.383.6592 • *fax* 615.383.7094 • www.fdhcpa.com

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Center for Nonprofit Management, Inc. as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Frasier, Dean + Howard, PLLC

March 8, 2017

CENTER FOR NONPROFIT MANAGEMENT, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2016 and 2015

	2016	2015
Assets		
Cash	$ 175,106	$ 215,627
Investments	1,600,597	1,424,848
Client fees receivable	102,289	100,555
Prepaid expenses	23,899	18,072
Inventory	4,645	2,220
Deposits	6,000	6,000
Property and equipment - net of accumulated depreciation of $277,970 and $252,867, respectively	53,167	77,486
Total assets	$ 1,965,703	$ 1,844,808
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	$ 21,004	$ 30,375
Deferred revenue and support	203,501	188,372
Total liabilities	224,505	218,747
Net assets:		
Unrestricted:		
Undesignated	1,473,714	1,350,276
Board designated	10,288	12,614
Total unrestricted	1,484,002	1,362,890
Temporarily restricted	257,196	263,171
Total net assets	1,741,198	1,626,061
Total liabilities and net assets	$ 1,965,703	$ 1,844,808

See accompanying notes.

CENTER FOR NONPROFIT MANAGEMENT, INC.
STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2016 and 2015

	2016	**2015**
Changes in unrestricted net assets:		
Revenues and other support:		
Service fees	$ 1,073,690	$ 1,009,585
Association fee revenue	217,092	200,862
Contributions (including in-kind contributions of $52,730 and $51,739, respectively)	177,644	159,847
Grants	165,200	188,000
Event ticket sales	82,790	93,910
Other	19,008	19,363
Interest income	8,686	2,010
Released from restriction for purpose accomplished	158,181	79,134
Total revenues and other support	1,902,291	1,752,711
Expenses:		
Consulting	831,377	772,218
Training and development	339,352	307,132
Salute to Excellence	271,048	261,805
Membership	142,518	139,386
Products	-	35,393
Management and general and fundraising	196,884	192,522
Total expenses	1,781,179	1,708,456
Change in unrestricted net assets	121,112	44,255
Changes in temporarily restricted net assets:		
Contributions	152,206	145,000
Released from restriction for purpose accomplished	(158,181)	(79,134)
Change in temporarily restricted net assets	(5,975)	65,866
Total change in net assets	115,137	110,121
Net assets at beginning of year	1,626,061	1,515,940
Net assets at end of year	$ 1,741,198	$ 1,626,061

See accompanying notes.

CENTER FOR NONPROFIT MANAGEMENT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2016

	Consulting	Training and Development	Salute to Excellence	Membership	Total Program Services	Management and General and Fundraising	Total Expenses
Cost of services	$ 497,332	$ 127,221	$ 64,306	$ 3,488	$ 692,347	$ 375	$ 692,722
Salaries/benefits	236,924	118,462	59,231	88,847	503,464	88,847	592,311
Office rent	23,175	27,811	9,270	13,905	74,161	18,540	92,701
Insurance	33,392	17,940	8,615	12,922	72,869	13,277	86,146
Miscellaneous	2,664	3,199	53,797	1,598	61,258	3,986	65,244
Temporary services	9,403	11,283	6,923	5,642	33,251	7,522	40,773
Video production	-	-	28,187	-	28,187	-	28,187
Equipment rent	-	-	15,915	-	15,915	11,570	27,485
Depreciation	6,276	7,531	2,510	3,765	20,082	5,020	25,102
Repairs and maintenance	5,525	6,629	2,210	3,315	17,679	4,420	22,099
Office supplies	3,008	3,610	8,187	1,805	16,610	2,406	19,016
Telephone/internet	3,065	3,678	1,226	1,839	9,808	2,452	12,260
Meals/breaks	2,913	3,495	1,573	1,748	9,729	2,330	12,059
Audit/legal	-	-	-	-	-	10,651	10,651
Utilities	2,305	2,765	922	1,383	7,375	1,844	9,219
Printing	636	763	6,260	382	8,041	509	8,550
Travel	16	19	321	9	365	4,815	5,180
Postage/shipping	1,077	1,292	779	646	3,794	861	4,655
Advertising	1,157	1,388	463	694	3,702	926	4,628
Small equipment purchase	-	-	-	-	-	4,028	4,028
Software	-	-	-	-	-	3,210	3,210
Memberships	-	-	-	-	-	3,067	3,067
Large equipment purchase	-	-	-	-	-	2,829	2,829
Bad debt expense	1,374	1,374	-	-	2,748	-	2,748
Publications	-	-	-	-	-	2,601	2,601
License	463	556	185	278	1,482	371	1,853
Payroll services	672	336	168	252	1,428	252	1,680
Employee development	-	-	-	-	-	175	175
	$ 831,377	$ 339,352	$ 271,048	$ 142,518	$ 1,584,295	$ 196,884	$ 1,781,179

See accompanying notes.

CENTER FOR NONPROFIT MANAGEMENT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2015

	Consulting	Training and Development	Salute to Excellence	Membership	Products	Total Program Services	Management and General and Fundraising	Total Expenses
Cost of services	$ 483,331	$ 99,163	$ 57,552	$ 2,392	$ 3,937	$ 646,375	$ 294	$ 646,669
Salaries/benefits	194,428	111,101	55,551	83,327	27,776	472,183	83,327	555,510
Office rent	23,209	27,851	9,284	13,925	-	74,269	18,567	92,836
Insurance	27,385	17,167	8,100	12,151	3,567	68,370	12,634	81,004
Miscellaneous	2,780	3,339	52,852	3,952	-	62,923	2,461	65,384
Temporary services	7,932	9,519	8,168	4,759	-	30,378	6,346	36,724
Depreciation	8,900	10,680	3,560	5,340	-	28,480	7,120	35,600
Equipment rent	-	-	19,979	-	-	19,979	12,002	31,981
Video production	-	-	23,988	-	-	23,988	-	23,988
Repairs and maintenance	5,877	7,052	2,351	3,526	-	18,806	4,701	23,507
Office supplies	3,762	4,515	6,413	2,257	-	16,947	3,010	19,957
Telephone/internet	3,564	4,277	1,426	2,138	-	11,405	2,851	14,256
Printing	771	924	8,629	463	-	10,787	617	11,404
Audit/legal	-	-	-	-	-	-	10,315	10,315
Meals/breaks	2,240	2,687	1,284	1,344	-	7,555	1,792	9,347
Utilities	2,133	2,559	853	1,280	-	6,825	1,706	8,531
Postage/shipping	1,529	1,835	739	917	-	5,020	1,223	6,243
Advertising	1,512	1,814	605	907	-	4,838	1,209	6,047
Small equipment purchase	-	-	-	-	-	-	5,664	5,664
Software	-	-	-	-	-	-	4,556	4,556
Memberships	-	-	-	-	-	-	3,219	3,219
Bad debt expense	1,459	1,459	-	-	-	2,918	-	2,918
Travel	118	142	47	71	-	378	2,428	2,806
Publications	-	-	-	-	-	-	2,376	2,376
Payroll services	792	453	226	340	113	1,924	340	2,264
License	496	595	198	297	-	1,586	396	1,982
Employee development	-	-	-	-	-	-	1,676	1,676
Large equipment purchase	-	-	-	-	-	-	1,592	1,592
Grants to other organizations	-	-	-	-	-	-	100	100
	$ 772,218	$ 307,132	$ 261,805	$ 139,386	$ 35,393	$ 1,515,934	$ 192,522	$ 1,708,456

See accompanying notes.

CENTER FOR NONPROFIT MANAGEMENT, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Change in net assets	$ 115,137	$ 110,121
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	25,102	35,599
Realized and unrealized gain on investments	(8,749)	(2,330)
Changes in operating assets and liabilities:		
Client fees receivable	(1,734)	(55,061)
Contributions receivable	-	2,727
Prepaid expenses	(5,827)	(11,714)
Inventory	(2,425)	6,967
Accounts payable and accrued expenses	(9,371)	8,894
Deferred revenue and support	15,129	22,950
Net cash provided by operating activities	127,262	118,153
Cash flows from investing activities:		
Purchase of investments	(167,000)	(150,000)
Purchase of property and equipment	(783)	-
Net cash used in investing activities	(167,783)	(150,000)
Decrease in cash	(40,521)	(31,847)
Cash at beginning of year	215,627	247,474
Cash at end of year	$ 175,106	$ 215,627

See accompanying notes.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

During 1986, the Management Development Center began operations through funding from the HCA Foundation and the United Way of Metropolitan Nashville. On May 5, 1992, the Organization was incorporated as a not-for-profit organization and changed its name to the Center for Nonprofit Management, Inc. (the "Organization"). The purpose of the Organization is to enhance the ability of nonprofit organizations to manage their business by providing services and resources to the governing board, employees and volunteers of those organizations, including but not limited to management education and training and management consultation services.

Financial Statement Presentation

In accordance with the Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC"), the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows.

Contributions

In accordance with accounting principles generally accepted in the United States of America for nonprofit organizations, unconditional contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Under these provisions, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

> Unrestricted net assets – net assets that are not subject to donor-imposed stipulations.
>
> Temporarily restricted net assets – net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.
>
> Permanently restricted net assets – net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, donors of these assets permit the Organization to use all or part of the income earned for general or specific purposes. The Organization had no permanently restricted net assets at December 31, 2016 and 2015.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Revenue and Support

Fees received in the current year for services to be performed in the subsequent years are shown as deferred revenue.

Support in the form of conditional contributions is not recognized until such conditions are met.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all cash funds, cash bank accounts and highly liquid debt instruments with an original maturity when purchased of three months or less to be cash and cash equivalents other than certain money market funds held by the Organization for investment.

Investments

Investments in money market funds and marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the accompanying statements of financial position. See further discussion of fair value measurements at Note 2. Investment income and realized and unrealized gains and losses are reported as changes in unrestricted net assets.

Receivables

The Organization considers all receivables to be fully collectible. Accordingly, no allowance for doubtful accounts has been provided in the accompanying financial statements.

Property and Equipment

Property and equipment are recorded at cost. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets or lease terms, if shorter, for leasehold improvements. Estimated useful lives of all major classes of assets are as follows:

Equipment and database	3 - 5 years
Furniture and fixtures	7 years
Leasehold improvements (remaining life of lease)	5 - 10 years

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Organization is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and is not a private foundation. Accordingly, no provision for income tax has been made.

The Organization follows FASB ASC guidance related to unrecognized tax benefits. The guidance clarifies the accounting for uncertainty in income taxes recognized in an organization's financial statements. This guidance prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. The Organization has no tax penalties or interest reported in the accompanying financial statements. Tax years that remain open for examination include years ended December 31, 2013 through 2016.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses and allocation of functional expenses during the reporting period. Actual results could differ from those estimates.

In-Kind Contributions

Contributed services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair market value when received.

Additionally, the Organization receives a significant amount of contributed time from volunteers which does not meet the recognition criteria described above. Accordingly, the value of this contributed time has not been determined and is not reflected in the accompanying financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Expenses

Costs of providing the Organization's programs are summarized and reported on a functional basis. Expenses of each program include costs directly associated with the program and other indirect costs determined to benefit that program. These costs have been allocated between program and supporting services based on estimates by management. Fundraising expenses approximated $30,000 (primarily for salaries) in 2016 and 2015.

Advertising Expense

The Organization expenses advertising costs as incurred. Advertising costs charged to expense totaled $4,628 in 2016 and $6,047 in 2015.

Subsequent Events

The Organization evaluated subsequent events through March 8, 2017, when these financial statements were available to be issued. The Organization is not aware of any significant events that occurred subsequent to the statement of financial position date but prior to the filing of this report that would have a material impact on the financial statements.

NOTE 2 – FAIR VALUE MEASUREMENTS AND INVESTMENTS

The Organization has adopted the fair value measurement topic of the FASB ASC, which establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Inputs to the valuation methodology include the following:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

NOTE 2 – FAIR VALUE MEASUREMENTS AND INVESTMENTS (Continued)

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. A description of the valuation methodologies used for assets measured at fair value is as follows:

Money market and mutual funds: Valued at the net asset value of shares in active markets held by the Organization at year end.

Agency funds: Valued at cost which approximates fair value.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31:

	2016			
	Level 1	**Level 2**	**Level 3**	**Total**
Money market funds	$ 1,086,809	$ -	$ -	$ 1,086,809
Mutual funds:				
Low duration bond funds	504,469	-	-	504,469
Agency funds	9,319	-	-	9,319
Total assets at fair value	$ 1,600,597	$ -	$ -	$ 1,600,597

NOTE 2 – FAIR VALUE MEASUREMENTS AND INVESTMENTS (Continued)

	2015			
	Level 1	Level 2	Level 3	Total
Money market funds	$ 917,570	$ -	$ -	$ 917,570
Mutual funds:				
Low duration bond funds	498,157	-	-	498,157
Agency funds	9,121	-	-	9,121
Total assets at fair value	$ 1,424,848	$ -	$ -	$ 1,424,848

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31:

	2016	2015
Equipment	$ 76,451	$ 76,451
Furniture and fixtures	91,008	90,224
Leasehold improvements	4,689	4,689
Database	158,989	158,989
	331,137	330,353
Less accumulated depreciation	(277,970)	(252,867)
	$ 53,167	$ 77,486

NOTE 4 – BOARD DESIGNATED NET ASSETS

During 2012, the Organization's board of directors placed voluntary designations on $50,000 of unrestricted net assets. During 2014, the board designated an additional $15,000 of unrestricted net assets. Remaining board designated net assets are available for the following purposes at December 31:

	2016	2015
Nonprofit Excellence Funds ("Invest in Success")	$ 10,288	$ 12,614

NOTE 5 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at December 31:

	2016	2015
Nonprofit Excellence Funds ("Invest in Success")	$ 213,498	$ 219,473
Association of Nonprofit Executives Funds	43,698	43,698
Total temporarily restricted net assets	$ 257,196	$ 263,171

During 2007, the Organization merged with the Association for Nonprofit Executives ("ANE"). Any funds received from ANE have been recorded as temporarily restricted contributions and net assets of the Organization. Restrictions are released when expenditures are approved by the ANE advisory board.

NOTE 6 – RETIREMENT PLAN

The Organization adopted a Simplified Employee Pension Plan ("SEP") for all employees as of January 1, 1993, and as modified December 8, 1999. Contributions to the SEP begin after one year of qualifying employment if the employee is twenty-one years of age or older. Contributions were calculated at a rate of 6% of base salary for 2016 and 2015. Contributions to the SEP or to alternative employee-elected payment options amounted to $20,595 and $24,151 for the years ended December 31, 2016 and 2015, respectively.

NOTE 7 – LEASE CONTRACTS

During June 2011, the Organization entered into a new lease for office space with a start date of February 17, 2012 and expiring in June 2022. The lease requires monthly payments of $6,083 subject to annual increases calculated using the published consumer price index.

Expense for all leases was approximately $120,000 and $125,000 for the years ended December 31, 2016 and 2015, respectively. Future minimum lease commitments are as follows:

NOTE 7 – LEASE CONTRACTS (Continued)

Year ending December 31,	
2017	$ 84,084
2018	84,084
2019	84,084
2020	82,542
2021	74,373
Thereafter	36,498
	$ 445,665

NOTE 8 – CONCENTRATIONS

During 2016 and 2015, the Organization recorded contributions from one major donor comprising 10% and 9%, respectively, of total revenue and other support for the years ended December 31, 2016 and 2015. A significant reduction in the support from this donor, if this were to occur, could have an adverse impact on the Organization's programs and services.

Certain investments are not insured by FDIC or any other government agency and are subject to investment risk, including loss of principal. Investments are insured by the Securities and Investor Protection Corporation, which covers investor losses, in some cases, attributable to bankruptcy or fraudulent practices of brokerage firms.

At times throughout the year, the Organization may maintain balances at financial institutions in excess of FDIC insured limits. Amounts in excess of these limits totaled approximately $22,500 and $20,300 at December 31, 2016 and 2015, respectively.