CENTER FOR NONPROFIT MANAGEMENT, INC.

FINANCIAL STATEMENTS

December 31, 2010 and 2009

CENTER FOR NONPROFIT MANAGEMENT, INC.

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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 statements of financial position of Center for Nonprofit Management, Inc. (a nonprofit organization) as of December 31, 2010 and 2009, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Frasier, Dean & Howard, PLLC

March 23, 2011

CENTER FOR NONPROFIT MANAGEMENT, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2010 and 2009

	2010	2009
Assets		
Assets:		
Cash	$ 193,183	$ 120,651
Investments	574,398	566,200
Client fees receivable	104,791	96,908
Prepaid expenses	1,750	3,750
Inventory	725	3,492
Deposits	5,000	5,000
Property and equipment - net of accumulated depreciation of $193,017 and $164,414, respectively	72,478	101,081
Total assets	$ 952,325	$ 897,082
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	$ 888	$ 7,414
Deferred revenue and support	108,835	77,150
Total liabilities	109,723	84,564
Net assets:		
Unrestricted	734,132	676,780
Temporarily restricted	108,470	135,738
Total net assets	842,602	812,518
Total liabilities and net assets	$ 952,325	$ 897,082

See accompanying notes.

CENTER FOR NONPROFIT MANAGEMENT, INC.
STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2010 and 2009

	2010	2009
Changes in unrestricted net assets:		
Revenues and other support:		
Service fees	$ 1,053,399	$ 888,271
Grants	194,500	182,000
Association fee revenue	125,044	55,784
Contributions (including in-kind contributions of $46,479 and $39,443, respectively)	117,484	139,446
Event ticket sales	73,520	75,375
Interest income	8,460	13,771
Other	4,360	6,063
Released from restriction for purpose accomplished	107,868	118,952
Total unrestricted revenues and other support	1,684,635	1,479,662
Expenses:		
Consulting	681,812	498,376
Training and development	269,405	323,188
Salute to Excellence	199,711	197,605
Evaluation	111,959	140,048
Membership	90,559	100,962
Products	47,967	43,843
Management Resource Center	33,592	36,921
Management and general and fundraising	192,278	192,343
Total expenses	1,627,283	1,533,286
Increase (decrease) in unrestricted net assets	57,352	(53,624)
Changes in temporarily restricted net assets:		
Contributions	80,600	52,100
Released from restriction for purpose accomplished	(107,868)	(118,952)
Decrease in temporarily restricted net assets	(27,268)	(66,852)
Total change in net assets	30,084	(120,476)
Net assets at beginning of year	812,518	932,994
Net assets at end of year	$ 842,602	$ 812,518

See accompanying notes.

CENTER FOR NONPROFIT MANAGEMENT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2010

	Consulting	Training and Development	Salute to Excellence	Evaluation	Membership	Products	Management Resource Center	Total Program Services	Management and General and Fundraising	Total All Services
Cost of services	$ 519,903	$ 88,859	$ 42,660	$ 11,048	$ 1,710	$ 17,500	$ -	$ 681,680	$ -	$ 681,680
Salaries/benefits	108,488	108,489	54,244	81,366	54,244	27,121	27,121	461,073	81,366	542,439
Office rent	18,903	28,355	9,451	4,726	14,177	-	-	75,612	18,903	94,515
Insurance	13,882	14,305	6,941	9,989	7,152	3,259	3,259	58,787	10,623	69,410
Miscellaneous	2,076	3,115	47,517	519	1,558	-	-	54,785	2,534	57,319
Depreciation	-	-	-	-	-	-	-	-	28,603	28,603
Equipment rent	-	-	8,541	-	-	-	-	8,541	13,286	21,827
Office supplies	2,683	4,024	4,428	732	2,012	-	-	13,879	2,683	16,562
Video production	-	-	15,965	-	-	-	-	15,965	-	15,965
Telephone/internet	2,650	3,974	1,325	662	1,987	-	-	10,598	2,650	13,248
Repairs and maintenance	2,019	3,029	1,010	505	1,514	-	-	8,077	2,019	10,096
Temporary services	1,437	2,183	2,855	359	1,078	-	-	7,912	1,437	9,349
Postage/shipping	1,774	2,660	982	523	1,330	-	-	7,269	1,773	9,042
Advertising	1,788	2,682	894	447	1,341	-	-	7,152	1,788	8,940
Audit/legal	-	-	-	-	-	-	-	-	8,200	8,200
Meals/breaks	1,229	1,844	1,033	369	922	-	-	5,397	1,230	6,627
Small equipment purchase	-	-	-	-	-	-	-	-	6,140	6,140
Bad debt expense	2,817	2,817	-	-	-	-	-	5,634	-	5,634
Print production services	790	1,184	1,170	197	592	-	-	3,933	789	4,722
Printing	890	1,335	445	222	667	-	-	3,559	890	4,449
Publications	-	-	-	-	-	-	3,124	3,124	-	3,124
Memberships	-	-	-	-	-	-	-	-	3,049	3,049
Travel	69	104	43	17	52	-	-	285	2,070	2,355
Payroll services	350	350	175	262	175	87	88	1,487	262	1,749
Software	-	-	-	-	-	-	-	-	1,624	1,624
License	64	96	32	16	48	-	-	256	64	320
Employee development	-	-	-	-	-	-	-	-	295	295
	$ 681,812	$ 269,405	$ 199,711	$ 111,959	$ 90,559	$ 47,967	$ 33,592	$ 1,435,005	$ 192,278	$ 1,627,283

See accompanying notes.

CENTER FOR NONPROFIT MANAGEMENT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2009

	Consulting	Training and Development	Salute to Excellence	Evaluation	Membership	Products	Management Resource Center	Total Program Services	Management and General and Fundraising	Total All Services
Salaries/benefits	$ 123,696	$ 123,696	$ 61,848	$ 92,771	$ 61,848	$ 30,924	$ 30,923	$ 525,706	$ 92,771	$ 618,477
Cost of services	316,803	120,420	39,499	25,654	1,918	9,375	538	514,207	-	514,207
Office rent	18,176	27,264	9,088	4,544	13,632	-	-	72,704	18,176	90,880
Insurance	14,675	15,094	7,338	10,588	7,546	3,460	3,460	62,161	11,215	73,376
Miscellaneous	1,431	2,146	40,158	458	1,074	-	-	45,267	2,704	47,971
Equipment rent	-	-	8,466	-	-	-	-	8,466	14,334	22,800
Repairs and maintenance	3,656	5,484	1,828	914	2,742	-	-	14,624	3,656	18,280
Office supplies	2,463	3,695	4,475	825	1,848	-	-	13,306	2,463	15,769
Postage/shipping	3,100	4,650	1,550	866	2,325	-	-	12,491	3,100	15,591
Temporary services	2,441	4,783	3,358	610	1,831	-	-	13,023	2,441	15,464
Depreciation	-	-	-	-	-	-	-	-	15,011	15,011
Video production	-	-	13,920	-	-	-	-	13,920	-	13,920
Telephone/internet	2,608	3,913	1,304	652	1,955	-	-	10,432	2,609	13,041
Advertising	2,070	3,105	1,035	518	1,552	-	-	8,280	2,070	10,350
Audit/legal	-	-	-	-	-	-	-	-	7,700	7,700
Meals/breaks	1,376	2,063	1,170	400	1,032	-	-	6,041	1,376	7,417
Bad debt expense	3,558	3,558	-	-	-	-	-	7,116	-	7,116
Print production services	876	1,314	1,430	219	657	-	-	4,496	876	5,372
Printing	701	1,051	690	310	526	-	-	3,278	701	3,979
Travel	126	190	138	396	95	-	-	945	2,049	2,994
Memberships	-	-	-	-	-	-	-	-	2,954	2,954
Small equipment purchase	-	-	-	-	-	-	-	-	2,630	2,630
Employee development	-	-	-	-	-	-	-	-	1,962	1,962
Publications	-	-	-	-	-	-	1,916	1,916	-	1,916
Payroll services	336	336	168	252	168	84	84	1,428	252	1,680
License	284	426	142	71	213	-	-	1,136	284	1,420
Software	-	-	-	-	-	-	-	-	1,009	1,009
	$ 498,376	$ 323,188	$ 197,605	$ 140,048	$ 100,962	$ 43,843	$ 36,921	$ 1,340,943	$ 192,343	$ 1,533,286

See accompanying notes.

CENTER FOR NONPROFIT MANAGEMENT, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2010 and 2009

	2010	2009
Cash flows from operating activities:		
Change in net assets	$ 30,084	$ (120,476)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	28,603	15,011
Changes in operating assets and liabilities:		
Client fees receivable	(7,883)	76,969
Contributions receivable	-	10,000
Prepaid expenses	2,000	10,594
Inventory	2,767	538
Accounts payable and accrued expenses	(6,526)	1,677
Deferred revenue and support	31,685	(7,469)
Net cash provided by (used in) operating activities	80,730	(13,156)
Cash flows from investing activities:		
Proceeds from sale of investments	-	665,000
Purchase of investments	(8,198)	(518,173)
Purchase of property and equipment	-	(112,225)
Net cash (used in) provided by investing activities	(8,198)	34,602
Increase in cash	72,532	21,446
Cash at beginning of year	120,651	99,205
Cash at end of year	$ 193,183	$ 120,651

See accompanying notes.

CENTER FOR NONPROFIT MANAGEMENT, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

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, management consultation services and the maintenance of a reference library.

Accounting Standards Codification

The Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") became the sole authoritative source of generally accepted accounting principles in the United States of America for periods ending after September 15, 2009. The FASB ASC incorporates all authoritative literature previously issued by a standard setter. Adoption of the FASB ASC has no effect on the Organization's statements of financial position, activities, or cash flows.

Financial Statement Presentation

In accordance with the 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 generally accepted accounting principles 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 statement of activities as net assets released from restrictions.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions (Continued)

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 has no permanently restricted net assets at December 31, 2010 and 2009.

Contributions which are restricted for specific programs are reflected as unrestricted revenue if these funds are received and spent during the same fiscal year.

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 deferred 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.

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 statement of financial position. See further discussion of fair value measurements at Note 2. Investment income 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:

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment (Continued)

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

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 has adopted 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 interpretation 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, 2007 through 2010. Adoption of this pronouncement had no impact on the Organization's financial position or activities.

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 certain reported amounts and disclosures. Accordingly, 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In-Kind Contributions (Continued)

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.

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 2010 and 2009.

Advertising Expense

The Organization expenses advertising costs as incurred. Advertising costs charged to expense totaled $8,939 in 2010 and $10,350 in 2009.

Subsequent Events

The Organization evaluated subsequent events through March 23, 2011, 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.

NOTE 2 – FAIR VALUE MEASUREMENTS AND INVESTMENTS (Continued)

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.

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 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 funds and certificates of deposit: 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.

Non-voting preferred stock: Valued at the value stated by the issuing company upon issuance.

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:

	2010			
	Level 1	Level 2	Level 3	Total
Money market funds	$ 552,260	$ -	$ -	$ 552,260
Agency funds	7,138	-	-	7,138
Non-voting preferred stock	-	-	15,000	15,000
Total assets at fair value	$ 559,398	$ -	$ 15,000	$ 574,398

NOTE 2 – FAIR VALUE MEASUREMENTS AND INVESTMENTS (Continued)

	2009			
	Level 1	Level 2	Level 3	Total
Money market funds	$ 544,843	$ -	$ -	$ 544,843
Agency funds	6,357	-	-	6,357
Non-voting preferred stock	-	-	15,000	15,000
Total assets at fair value	$ 551,200	$ -	$ 15,000	$ 566,200

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31:

	2010	2009
Equipment	$ 40,684	$ 40,684
Furniture and fixtures	81,305	81,305
Leasehold improvements	31,281	31,281
Database	112,225	112,225
	265,495	265,495
Less accumulated depreciation	(193,017)	(164,414)
	$ 72,478	$ 101,081

NOTE 4 – TEMPORARILY RESTRICTED NET ASSETS

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

	2010	2009
Nonprofit Excellence Funds ("Invest in Success")	$ 63,400	$ 80,618
Association of Nonprofit Executives Funds	45,070	45,120
Leadership Impact Project	-	10,000
Total temporarily restricted net assets	$ 108,470	$ 135,738

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.

NOTE 5 – 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. Contributions were calculated at a rate of 3% of base salary for 2010 and a rate of 9% of base salary for 2009. Contributions to the plan or to alternative employee-elected payment options amounted to $12,161 and $36,139 for the years ended December 31, 2010 and 2009, respectively.

NOTE 6 – LEASE CONTRACTS

At December 31, 2010, the Organization was obligated under certain operating leases for office space and equipment that expire through 2013. The lease for office space can be terminated by either party with six months notice with no penalty. Expense for such leases was approximately $116,000 and $114,000 for the years ended December 31, 2010 and 2009, respectively. Future minimum lease commitments assuming no early termination are as follows:

Year ending December 31,	
2011	$ 99,048
2012	102,228
2013	106,317
Thereafter	-
	$ 307,593

NOTE 7 – CONCENTRATIONS

During 2010 and 2009, the Organization recorded contributions from one major donor comprising 9% and 10% of total revenue for December 31, 2010 and 2009, respectively. 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 $19,019 and $11,607 at December 31, 2010 and 2009, respectively.