

CENTER FOR NONPROFIT MANAGEMENT, INC.

FINANCIAL STATEMENTS

December 31, 2007 and 2006

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, 2007 and 2006, 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, 2007 and 2006, 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.

As described in Note 9 to the financial statements, the Organization restated cash and investments at December 31, 2006 to properly reflect investment balances.

Frasier, Dean & Howard, PLLC

March 18, 2008

CENTER FOR NONPROFIT MANAGEMENT, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2007 and 2006

Assets		
	2007	2006 (Restated)
Assets:		
Cash	\$ 138,980	\$ 113,859
Investments	605,421	473,963
Client fees receivable	168,658	142,495
Contributions receivable	131,500	197,780
Prepaid expenses	8,910	-
Inventory	5,845	5,845
Deposits	5,000	5,000
Property and equipment - net of accumulated depreciation of \$159,910 and \$150,629, respectively	<u>12,523</u>	<u>29,361</u>
Total assets	<u><u>\$ 1,076,837</u></u>	<u><u>\$ 968,303</u></u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ -	\$ 7,977
Deferred revenue and support	<u>119,891</u>	<u>115,716</u>
Total liabilities	<u>119,891</u>	<u>123,693</u>
Net assets:		
Unrestricted	631,128	514,451
Temporarily restricted	<u>325,818</u>	<u>330,159</u>
Total net assets	<u>956,946</u>	<u>844,610</u>
Total liabilities and net assets	<u><u>\$ 1,076,837</u></u>	<u><u>\$ 968,303</u></u>

See accompanying notes.

CENTER FOR NONPROFIT MANAGEMENT, INC.
STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Changes in unrestricted net assets:		
Revenues and other support:		
Service fees	\$ 1,110,806	\$ 895,476
Released from restriction for purpose accomplished (service fees)	150,152	44,841
Grants	190,586	217,468
Contributions (including in-kind contributions of \$43,215 and \$46,171, respectively)	98,682	110,816
Salute event ticket sales	41,065	45,435
Interest income	32,415	21,115
Other	4,550	11,173
Association fee revenue	<u>91,113</u>	<u>25,896</u>
Total unrestricted revenues and support	<u>1,719,369</u>	<u>1,372,220</u>
Expenses:		
Training and development	316,067	267,334
Consulting	573,543	449,309
Evaluation	130,184	103,450
Salute to Excellence	198,751	177,817
Management Resource Center	34,896	31,306
Products	49,209	35,494
Membership	99,984	90,980
Management and general and fundraising	<u>200,058</u>	<u>168,796</u>
Total expenses	<u>1,602,692</u>	<u>1,324,486</u>
Increase in unrestricted net assets	<u>116,677</u>	<u>47,734</u>
Changes in temporarily restricted net assets:		
Contributions	145,811	375,000
Released from restriction for purpose accomplished (service fees)	<u>(150,152)</u>	<u>(44,841)</u>
(Decrease) increase in temporarily restricted net assets	<u>(4,341)</u>	<u>330,159</u>
Total change in net assets	112,336	377,893
Net assets at beginning of year	<u>844,610</u>	<u>466,717</u>
Net assets at end of year	<u><u>\$ 956,946</u></u>	<u><u>\$ 844,610</u></u>

See accompanying notes.

CENTER FOR NONPROFIT MANAGEMENT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2007

	Training and Development	Consulting	Evaluation	Salute to Excellence	Library	Products	Membership	Total Program Services	Management and General and Fundraising	Total All Services
Salaries/benefits	\$ 120,302	\$ 120,302	\$ 90,226	\$ 60,151	\$ 30,075	\$ 30,075	\$ 60,151	\$ 511,282	\$ 90,227	\$ 601,509
Cost of services	119,905	400,519	21,097	34,858	-	16,413	1,902	594,694	507	595,201
Office rent	28,493	18,995	4,749	9,498	-	-	14,247	75,982	18,995	94,977
Insurance	12,000	11,522	8,163	5,761	2,641	2,641	6,000	48,728	8,881	57,609
Miscellaneous	1,213	808	321	43,620	-	-	606	46,568	5,140	51,708
Equipment rent	-	-	-	7,665	-	-	-	7,665	15,802	23,467
Postage/shipping	6,818	4,545	1,202	2,349	-	-	3,409	18,323	4,545	22,868
Temporary services	4,878	3,252	813	5,966	-	-	2,439	17,348	3,252	20,600
Office supplies	4,476	2,984	935	4,664	-	-	2,238	15,297	2,984	18,281
Repairs and maintenance	4,636	3,091	773	1,545	-	-	2,318	12,363	3,091	15,454
Print production services	4,269	2,846	712	2,493	-	-	2,135	12,455	2,846	15,301
Depreciation	-	-	-	-	-	-	-	-	14,764	14,764
Video production	-	-	-	14,165	-	-	-	14,165	-	14,165
Telephone/internet	3,748	2,499	625	1,249	-	-	1,874	9,995	2,499	12,494
Audit/legal	-	-	-	-	-	-	-	-	6,900	6,900
Meals/breaks	1,339	893	243	2,759	-	-	669	5,903	893	6,796
Printing	1,572	1,048	1,174	894	-	-	786	5,474	1,048	6,522
Travel	156	104	67	306	-	-	78	711	5,776	6,487
Advertising	1,823	1,216	304	608	-	-	912	4,863	1,216	6,079
Small equipment purchase	-	-	-	-	-	-	-	-	4,261	4,261
Employee development	-	-	-	-	2,100	-	-	2,100	1,879	3,979
Memberships	-	-	-	-	-	-	-	-	2,895	2,895
Payroll services	321	321	241	161	-	-	161	1,205	241	1,446
Software	-	-	-	-	-	-	-	-	1,113	1,113
License	118	79	20	39	-	-	59	315	79	394
Awards	-	-	-	-	-	-	-	-	224	224
Publications	-	-	-	-	-	-	-	-	-	160
Bad debt expense	-	-	-	-	80	80	-	160	-	-
	-	(1,481)	(1,481)	-	-	-	-	(2,962)	-	(2,962)
\$	316,067	\$ 573,543	\$ 130,184	\$ 198,751	\$ 34,896	\$ 49,209	\$ 99,984	\$ 1,402,634	\$ 200,058	\$ 1,602,692

See accompanying notes.
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CENTER FOR NONPROFIT MANAGEMENT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2006

	Training and Development	Consulting	Evaluation	Salute to Excellence	Management Resource Center	Products	Membership	Total Program Services	Management and General and Fundraising	Total All Services
	\$ 104,609	\$ 104,609	\$ 78,457	\$ 52,305	\$ 26,152	\$ 26,152	\$ 52,305	\$ 444,589	\$ 78,457	\$ 523,046
Salaries/benefits										
Cost of services	89,098	291,078	8,970	31,000	1,025	7,201	2,153	430,525	-	430,525
Office rent	27,720	18,480	4,620	9,240	-	-	13,860	73,920	18,480	92,400
Insurance	9,171	8,656	5,976	4,328	1,906	1,906	4,586	36,529	6,750	43,279
Depreciation	-	-	-	-	-	-	-	-	17,504	17,504
Video production	-	-	-	11,555	-	-	-	11,555	-	11,555
Office supplies	4,455	2,970	743	4,262	-	-	2,228	14,658	2,970	17,628
Print production services	1,519	1,013	253	1,429	-	-	760	4,974	1,013	5,987
Telephone/internet	3,868	2,579	644	1,289	-	-	1,934	10,314	2,579	12,893
Awards	-	-	-	-	-	-	-	-	768	768
Postage/shipping	5,607	3,738	978	1,869	-	-	2,803	14,995	3,738	18,733
Temporary services	1,498	999	250	1,469	-	-	749	4,965	999	5,964
Equipment rent	-	-	-	6,650	-	-	-	6,650	13,039	19,689
Repairs and maintenance	2,933	1,955	489	978	-	-	1,467	7,822	1,955	9,777
Miscellaneous	3,053	2,035	509	47,064	-	-	1,526	54,187	3,252	57,439
Printing	4,034	2,689	672	2,325	-	-	2,017	11,737	2,689	14,426
Audit/legal	-	-	-	-	-	-	-	-	5,900	5,900
Travel	163	109	37	210	-	-	82	601	1,392	1,993
Meals/breaks	1,337	891	246	933	-	-	668	4,075	891	4,966
Memberships	-	-	-	-	-	-	2,709	2,709	-	2,709
Software	-	-	-	-	-	-	-	-	2,557	2,557
Advertising	1,966	1,311	328	655	-	-	983	5,243	1,311	6,554
Bad debt expense	5,684	5,684	-	-	-	-	-	11,368	-	11,368
Payroll services	300	300	225	150	75	75	150	1,275	225	1,500
Publications	-	-	-	-	2,148	-	-	2,148	-	2,148
Employee development	-	-	-	-	-	-	-	-	1,321	1,321
License	319	213	53	106	-	160	-	851	213	1,064
Small equipment purchase	-	-	-	-	-	-	-	-	793	793
	\$ 267,334	\$ 449,309	\$ 103,450	\$ 177,817	\$ 31,306	\$ 35,494	\$ 90,980	\$ 1,155,690	\$ 168,796	\$ 1,324,486

See accompanying notes.

CENTER FOR NONPROFIT MANAGEMENT, INC.
STATEMENTS OF CASH FLOWS
For the years ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u> (restated)
Cash flows from operating activities:		
Change in net assets	\$ 112,336	\$ 377,893
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	14,764	17,504
Loss on disposal of assets	4,011	-
Changes in operating assets and liabilities:		
Client fees receivable	(26,163)	24,229
Contributions receivable	66,280	(173,702)
Prepaid expenses	(8,910)	-
Inventory	-	(5,845)
Accounts payable and accrued expenses	(7,977)	(1,605)
Deferred revenue and support	4,175	22,842
	<u>158,516</u>	<u>261,316</u>
Net cash provided by operating activities		
Cash flows from investing activities:		
Proceeds from sale of investments	390,000	-
Purchase of investments	(521,458)	(169,924)
Proceeds from disposition of property and equipment	50	-
Purchase of property and equipment	(1,987)	(6,433)
	<u>(133,395)</u>	<u>(176,357)</u>
Net cash used in investing activities		
Increase in cash	25,121	84,959
Cash at beginning of year	<u>113,859</u>	<u>28,900</u>
Cash at end of year	<u>\$ 138,980</u>	<u>\$ 113,859</u>

See accompanying notes.

CENTER FOR NONPROFIT MANAGEMENT, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2007 and 2006

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 Middle Tennessee (UWMT). 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.

Financial Statement Presentation

The Organization has adopted Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, 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

The Organization has also adopted SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. In accordance with SFAS No. 116, 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.

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.

CENTER FOR NONPROFIT MANAGEMENT, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2007 and 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions (Continued)

The Organization had no permanently restricted net assets at December 31, 2007 and 2006.

Contributions which are restricted for specific programs are reflected as unrestricted revenue if these funds are received and spent during the same fiscal year as permitted by SFAS No. 116.

Deferred Revenue and Support

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

Support in the form of conditional contributions is deferred until such conditions are met.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all cash funds, cash bank accounts and highly liquid debt instruments purchased with an original maturity when purchased of three months or less to be cash and cash equivalents. At times throughout the year, the Organization maintains cash balances at financial institutions in excess of FDIC insured limits.

Investments

The Organization has adopted the provisions of SFAS No. 124, *Accounting for Certain Investments for Not-for-Profit Organizations*. Under SFAS No. 124, investments in 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. 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

Furniture, equipment and improvements 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:

CENTER FOR NONPROFIT MANAGEMENT, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2007 and 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment (continued)

Equipment	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.

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.

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 2007 and 2006.

CENTER FOR NONPROFIT MANAGEMENT, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2007 and 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising Expense

The Organization expenses advertising costs as incurred. Advertising costs charged to expense totaled \$6,078 in 2007 and \$6,554 in 2006.

NOTE 2 – INVESTMENTS

Investments of the Organization are stated at fair value as of December 31 and consist of the following:

	<u>2007</u>	<u>2006</u>
Money Market funds	\$ 340,421	\$ 458,963
Certificates of Deposit	250,000	-
Non-voting preferred stock	<u>15,000</u>	<u>15,000</u>
	<u>\$ 605,421</u>	<u>\$ 473,963</u>

NOTE 3 – CONTRIBUTIONS RECEIVABLE

Contributions receivable total \$131,500 and \$197,780 at December 31, 2007 and 2006, respectively, consisting primarily of multiyear pledges for the Organization's Nonprofit Excellence Funds titled "Invest in Success Campaign. The Organization expects the receipt of such contributions in 2008 and 2009.

Contributions receivable at December 31, 2007 are expected to be received as follows:

Amounts due in 2008	\$ 121,500
Amounts due in 2009	<u>10,000</u>
	<u>\$ 131,500</u>

Discounts to present value are not considered materially significant relating to the Organization's contributions receivable.

CENTER FOR NONPROFIT MANAGEMENT, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2007 and 2006

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31:

	<u>2007</u>	<u>2006</u>
Equipment	\$ 59,847	\$ 59,404
Furniture and fixtures	81,305	81,305
Leasehold improvements	31,281	31,281
Community calendar	<u>-</u>	<u>8,000</u>
	172,433	179,990
Less accumulated depreciation and amortization	<u>(159,910)</u>	<u>(150,629)</u>
	<u>\$ 12,523</u>	<u>\$ 29,361</u>

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 or similar plan begin after one year of qualifying employment at a rate of 9% of base salary if the employee is twenty-one years of age and has received at least \$374 in compensation each year. Contributions to the plan or to alternative employee-elected payment options amounted to \$34,709 and \$31,448 for the years ended December 31, 2007 and 2006, respectively.

NOTE 6 – LEASE CONTRACTS

At December 31, 2007, the Organization was obligated under certain operating leases for office space and equipment that expire through 2011. Expense for such leases was approximately \$118,000 and \$112,000 for the years ended December 31, 2007 and 2006, respectively. Future minimum lease commitments are as follows:

<u>Year ending December 31,</u>	
2008	\$ 91,378
2009	3,622
2010	1,615
2011	752
2012	<u>-</u>
	<u>\$ 97,367</u>

CENTER FOR NONPROFIT MANAGEMENT, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2007 and 2006

NOTE 7 – CONCENTRATIONS

During 2007 and 2006, the Organization recorded contributions from one major donor. This support comprises 9% of total revenue for 2007 (8% for 2006). 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.

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 (SIPC), which covers investor losses, in some cases, attributable to bankruptcy or fraudulent practices of brokerage firms.

NOTE 8 – TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2007</u>	<u>2006</u>
Nonprofit Excellence Funds ("Invest in Success")	\$ 254,326	\$ 305,159
Association of Nonprofit Executives Funds	46,492	-
2008 Rural Institute	25,000	-
2007 Summer Institute	<u>-</u>	<u>25,000</u>
Total temporarily restricted net assets	<u>\$ 325,818</u>	<u>\$ 330,159</u>

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 9 – RESTATEMENT

During 2007, the Organization restated its 2006 financial statements to properly classify cash and investments. The effect of the restatement was to reclassify \$458,963 from cash to investments. The restatement had no effect on total net assets or changes in net assets.