

CENTER FOR NONPROFIT MANAGEMENT, INC.

FINANCIAL STATEMENTS

December 31, 2009 and 2008

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, 2009 and 2008, 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, 2009 and 2008, 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.

Fraser, Dean & Howard, PLLC

March 1, 2010

CENTER FOR NONPROFIT MANAGEMENT, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2009 and 2008

	2009	2008
Assets		
Assets:		
Cash	\$ 120,651	\$ 99,205
Investments	566,200	713,027
Client fees receivable	96,908	173,877
Contributions receivable	-	10,000
Prepaid expenses	3,750	14,344
Inventory	3,492	4,030
Deposits	5,000	5,000
Property and equipment - net of accumulated depreciation of \$164,414 and \$153,680, respectively	<u>101,081</u>	<u>3,867</u>
Total assets	<u><u>\$ 897,082</u></u>	<u><u>\$ 1,023,350</u></u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 7,414	\$ 5,737
Deferred revenue and support	<u>77,150</u>	<u>84,619</u>
Total liabilities	<u>84,564</u>	<u>90,356</u>
Net assets:		
Unrestricted	676,780	730,404
Temporarily restricted	<u>135,738</u>	<u>202,590</u>
Total net assets	<u>812,518</u>	<u>932,994</u>
Total liabilities and net assets	<u><u>\$ 897,082</u></u>	<u><u>\$ 1,023,350</u></u>

See accompanying notes.

CENTER FOR NONPROFIT MANAGEMENT, INC.
STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Changes in unrestricted net assets:		
Revenues and other support:		
Service fees	\$ 888,271	\$ 1,076,502
Grants	182,000	179,250
Contributions (including in-kind contributions of \$39,443 and \$43,582, respectively)	139,446	150,927
Event ticket sales	75,375	79,815
Association fee revenue	55,784	84,462
Interest income	13,771	25,598
Other	6,063	3,653
Released from restriction for purpose accomplished	<u>118,952</u>	<u>123,228</u>
Total unrestricted revenues and other support	<u>1,479,662</u>	<u>1,723,435</u>
Expenses:		
Consulting	498,376	567,629
Training and development	323,188	338,467
Salute to Excellence	197,605	209,953
Evaluation	140,048	140,410
Membership	100,962	101,498
Products	43,843	37,309
Management Resource Center	36,921	39,472
Management and general and fundraising	<u>192,343</u>	<u>189,421</u>
Total expenses	<u>1,533,286</u>	<u>1,624,159</u>
(Decrease) increase in unrestricted net assets	<u>(53,624)</u>	<u>99,276</u>
Changes in temporarily restricted net assets:		
Contributions	52,100	-
Released from restriction for purpose accomplished	<u>(118,952)</u>	<u>(123,228)</u>
Decrease in temporarily restricted net assets	<u>(66,852)</u>	<u>(123,228)</u>
Total change in net assets	(120,476)	(23,952)
Net assets at beginning of year	<u>932,994</u>	<u>956,946</u>
Net assets at end of year	<u><u>\$ 812,518</u></u>	<u><u>\$ 932,994</u></u>

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 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
	<u>\$ 498,376</u>	<u>\$ 323,188</u>	<u>\$ 197,605</u>	<u>\$ 140,048</u>	<u>\$ 100,962</u>	<u>\$ 43,843</u>	<u>\$ 36,921</u>	<u>\$ 1,340,943</u>	<u>\$ 192,343</u>	<u>\$ 1,533,286</u>

See accompanying notes.

CENTER FOR NONPROFIT MANAGEMENT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2008

	Consulting	Training and Development	Salute to Excellence	Evaluation	Membership	Products	Management Resource Center	Total Program Services	Management and General Fundraising	Total All Services
Salaries/benefits	\$ 122,809	\$ 122,810	\$ 61,405	\$ 92,108	\$ 61,405	\$ 30,703	\$ 30,703	\$ 521,943	\$ 92,108	\$ 614,051
Cost of services	387,634	137,077	42,597	27,826	1,897	3,554	1,815	602,400	-	602,400
Office rent	17,980	26,971	8,990	4,495	13,485	-	-	71,921	17,981	89,902
Insurance	12,809	13,274	6,405	9,142	6,637	2,970	2,970	54,207	9,839	64,046
Miscellaneous	853	1,276	44,008	217	638	2	2	46,996	3,700	50,696
Telephone/internet	4,733	7,100	2,366	1,183	3,550	-	-	18,932	4,732	23,664
Equipment rent	-	-	4,860	-	-	-	-	4,860	15,762	20,622
Office supplies	2,970	4,454	4,849	753	2,227	-	-	15,253	2,970	18,223
Video production	-	-	16,800	-	-	-	-	16,800	-	16,800
Temporary services	2,067	3,101	7,396	517	1,551	-	-	14,632	2,067	16,699
Postage/shipping	3,136	4,703	1,568	796	2,352	-	-	12,555	3,136	15,691
Repairs and maintenance	3,050	4,575	1,525	763	2,288	-	-	12,201	3,050	15,251
Advertising	2,176	3,264	1,088	544	1,632	-	-	8,704	2,176	10,880
Print production services	1,837	2,755	2,239	459	1,377	-	-	8,667	1,836	10,503
Meals/breaks	1,715	2,572	2,582	559	1,286	-	-	8,714	1,714	10,428
Depreciation	-	-	-	-	-	-	-	-	8,656	8,656
Audit/legal	-	-	-	-	-	-	-	-	7,250	7,250
Printing	925	1,387	838	231	693	-	-	4,074	924	4,998
Bad debt expense	2,186	2,186	-	-	-	-	-	4,372	-	4,372
Memberships	-	-	-	-	-	-	-	-	3,926	3,926
Publications	-	-	-	-	-	-	3,902	3,902	-	3,902
Travel	194	290	160	517	145	-	-	1,306	1,968	3,274
Small equipment purchase	-	-	-	-	-	-	-	-	2,154	2,154
Payroll services	321	321	160	241	160	80	80	1,363	241	1,604
Software	-	-	-	-	-	-	-	-	1,541	1,541
Employee development	-	-	-	-	-	-	-	-	1,456	1,456
License	234	351	117	59	175	-	-	936	234	1,170
	<u>\$ 567,629</u>	<u>\$ 338,467</u>	<u>\$ 209,953</u>	<u>\$ 140,410</u>	<u>\$ 101,498</u>	<u>\$ 37,309</u>	<u>\$ 39,472</u>	<u>\$ 1,434,738</u>	<u>\$ 189,421</u>	<u>\$ 1,624,159</u>

See accompanying notes.

CENTER FOR NONPROFIT MANAGEMENT, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Change in net assets	\$ (120,476)	\$ (23,952)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	15,011	8,656
Changes in operating assets and liabilities:		
Client fees receivable	76,969	(5,219)
Contributions receivable	10,000	121,500
Prepaid expenses	10,594	(5,434)
Inventory	538	1,815
Accounts payable and accrued expenses	1,677	5,737
Deferred revenue and support	<u>(7,469)</u>	<u>(35,272)</u>
Net cash (used in) provided by operating activities	<u>(13,156)</u>	<u>67,831</u>
Cash flows from investing activities:		
Proceeds from sale of investments	665,000	125,000
Purchase of investments	(518,173)	(232,606)
Purchase of property and equipment	<u>(112,225)</u>	<u>-</u>
Net cash provided by (used in) investing activities	<u>34,602</u>	<u>(107,606)</u>
Increase (decrease) in cash	21,446	(39,775)
Cash at beginning of year	<u>99,205</u>	<u>138,980</u>
Cash at end of year	<u><u>\$ 120,651</u></u>	<u><u>\$ 99,205</u></u>

See accompanying notes.

CENTER FOR NONPROFIT MANAGEMENT, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

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. 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.

CENTER FOR NONPROFIT MANAGEMENT, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2009 and 2008

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, 2009 and 2008.

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:

CENTER FOR NONPROFIT MANAGEMENT, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2009 and 2008

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.

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 2009 and 2008.

CENTER FOR NONPROFIT MANAGEMENT, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2009 and 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising Expense

The Organization expenses advertising costs as incurred. Advertising costs charged to expense totaled \$10,350 in 2009 and \$10,880 in 2008.

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.

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 ("NAV") of shares held by the Organization at year end.

CENTER FOR NONPROFIT MANAGEMENT, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2009 and 2008

NOTE 2 – FAIR VALUE MEASUREMENTS AND INVESTMENTS (Continued)

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:

	2009			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
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	<u>\$ 551,200</u>	<u>\$ -</u>	<u>\$ 15,000</u>	<u>\$ 566,200</u>

	2008			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 448,027	\$ -	\$ -	\$ 448,027
Certificates of deposit	250,000	-	-	250,000
Non-voting preferred stock	-	-	15,000	15,000
Total assets at fair value	<u>\$ 698,027</u>	<u>\$ -</u>	<u>\$ 15,000</u>	<u>\$ 713,027</u>

NOTE 3 – CONTRIBUTIONS RECEIVABLE

Contributions receivable totaled \$10,000 at December 31, 2008, consisting primarily of multiyear pledges for the Organization's Nonprofit Excellence Funds titled "Invest in Success Campaign". The Organization received all such contributions in 2009. 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, 2009 and 2008

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31:

	<u>2009</u>	<u>2008</u>
Equipment	\$ 40,684	\$ 44,961
Furniture and fixtures	81,305	81,305
Leasehold improvements	31,281	31,281
Database	<u>112,225</u>	<u>-</u>
	265,495	157,547
Less accumulated depreciation	<u>(164,414)</u>	<u>(153,680)</u>
	<u>\$ 101,081</u>	<u>\$ 3,867</u>

NOTE 5 – TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2009</u>	<u>2008</u>
Nonprofit Excellence Funds (“Invest in Success”)	\$ 80,618	\$ 156,653
Association of Nonprofit Executives Funds	45,120	45,937
Leadership Impact Project	<u>10,000</u>	<u>-</u>
Total temporarily restricted net assets	<u>\$ 135,738</u>	<u>\$ 202,590</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 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 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. Contributions to the plan or to alternative employee-elected payment options amounted to \$36,139 and \$30,883 for the years ended December 31, 2009 and 2008, respectively.

CENTER FOR NONPROFIT MANAGEMENT, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2009 and 2008

NOTE 7 – LEASE CONTRACTS

At December 31, 2009, 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 \$114,000 and \$110,000 for the years ended December 31, 2009 and 2008, respectively. Future minimum lease commitments assuming no early termination are as follows:

<u>Year ending</u> <u>December 31,</u>	
2010	\$ 96,130
2011	99,048
2012	102,228
2013	106,317
Thereafter	<u>-</u>
	<u>\$ 403,723</u>

NOTE 8 – CONCENTRATIONS

During 2009 and 2008, the Organization recorded contributions from one major donor comprising 10% and 9% of total revenue for December 31, 2009 and 2008, 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 \$11,607 at December 31, 2009. At December 31, 2008 balances were no in excess of FDIC insured limits.

NOTE 9 – SUBSEQUENT EVENTS

The Organization evaluated subsequent events through March 1, 2010, 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.