

CENTER FOR NONPROFIT MANAGEMENT, INC.

FINANCIAL STATEMENTS

December 31, 2006 and 2005

CENTER FOR NONPROFIT MANAGEMENT, INC.

TABLE OF CONTENTS

Independent Auditor's Report.....	2
Financial Statements:	
Statements of Financial Position.....	3
Statements of Activities	4
Statements of Functional Expenses	5 – 6
Statements of Cash Flows	7
Notes to Financial Statements.....	8 – 12



FRASIER, DEAN & HOWARD, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

3310 WEST END AVENUE, SUITE 550
NASHVILLE, TENNESSEE 37203
PHONE 615-383-6592, FAX 615-383-7094

INDEPENDENT AUDITOR'S REPORT

Board of Directors
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, 2006 and 2005, 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, 2006 and 2005, 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, 2007

CENTER FOR NONPROFIT MANAGEMENT, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2006 and 2005

Assets		
	<u>2006</u>	<u>2005</u>
Assets:		
Cash	\$ 572,822	\$ 317,939
Investments	15,000	15,000
Client fees receivable	142,495	166,724
Contributions receivable	197,780	24,078
Inventory	5,845	-
Deposits	5,000	5,000
Property and equipment - net of accumulated depreciation of \$150,629 and \$133,125, respectively	<u>29,361</u>	<u>40,432</u>
Total assets	<u><u>\$ 968,303</u></u>	<u><u>\$ 569,173</u></u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 7,977	\$ 9,582
Deferred revenue and support	<u>115,716</u>	<u>92,874</u>
Total liabilities	<u>123,693</u>	<u>102,456</u>
Net assets:		
Unrestricted	514,451	466,717
Temporarily restricted	<u>330,159</u>	<u>-</u>
Total net assets	<u>844,610</u>	<u>466,717</u>
Total liabilities and net assets	<u><u>\$ 968,303</u></u>	<u><u>\$ 569,173</u></u>

See accompanying notes.

CENTER FOR NONPROFIT MANAGEMENT, INC.
STATEMENTS OF ACTIVITIES
For the years ended December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Changes in unrestricted net assets		
Revenues and other support		
Service fees	\$ 895,476	\$ 863,988
Released from restriction for purpose accomplished (service fees)	44,841	-
Grants	217,468	208,000
Contributions (including in-kind contributions of \$46,171 and \$29,024, respectively)	110,816	131,785
Salute event ticket sales	45,435	44,210
Interest income	21,115	8,042
Other	11,173	7,706
Association fee revenue	25,896	26,630
Loss on disposal of assets	-	(1,489)
Total unrestricted revenues and support	<u>1,372,220</u>	<u>1,288,872</u>
Expenses		
Training and development	267,334	243,085
Consulting	449,309	392,011
Evaluation	103,450	98,222
Salute to Excellence	177,817	151,057
Management Resource Center	31,306	27,722
Products	35,494	26,300
Membership	90,980	79,788
Management and general and fundraising	168,796	158,169
Total expenses	<u>1,324,486</u>	<u>1,176,354</u>
Increase in unrestricted net assets	<u>47,734</u>	<u>112,518</u>
Changes in temporarily restricted net assets		
Contributions	375,000	-
Released from restriction for purpose accomplished (service fees)	(44,841)	-
Increase in temporarily restricted net assets	<u>330,159</u>	<u>-</u>
Total change in net assets	377,893	112,518
Net assets at beginning of year	<u>466,717</u>	<u>354,199</u>
Net assets at end of year	<u>\$ 844,610</u>	<u>\$ 466,717</u>

See accompanying notes.

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
Salaries/benefits	\$ 104,609	\$ 104,609	\$ 78,457	\$ 52,305	\$ 26,152	\$ 26,152	\$ 52,305	\$ 444,589	\$ 78,457	\$ 523,046
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
PRMC	-	-	-	-	-	-	-	-	-	-
Small equipment purchase	-	-	-	-	-	-	-	-	793	793
	<u>\$ 267,334</u>	<u>\$ 449,309</u>	<u>\$ 103,450</u>	<u>\$ 177,817</u>	<u>\$ 31,306</u>	<u>\$ 35,494</u>	<u>\$ 90,980</u>	<u>\$ 1,155,690</u>	<u>\$ 168,796</u>	<u>\$ 1,324,486</u>

See accompanying notes.

CENTER FOR NONPROFIT MANAGEMENT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2005

	Training and Development	Consulting	Evaluation	Salute to Excellence	Management Resource Center	Products	Membership	Total Program Services	Management and General and Fundraising	Total All Services
Salaries/benefits	\$ 94,337	\$ 94,337	\$ 70,753	\$ 47,168	\$ 23,584	\$ 23,584	\$ 47,168	\$ 400,931	\$ 70,753	\$ 471,684
Cost of services	82,418	249,979	11,975	28,345	-	783	409	373,909	-	373,909
Office rent	25,647	17,098	4,274	8,549	-	-	12,823	68,391	17,098	85,489
Insurance	8,628	8,213	5,745	4,107	1,846	1,846	4,314	34,699	6,367	41,066
Depreciation	-	-	-	-	-	-	-	-	11,909	11,909
Video production	-	-	-	11,184	-	-	-	11,184	-	11,184
Office supplies	3,490	2,327	582	4,044	-	-	1,745	12,188	2,327	14,515
Print production services	2,501	2,501	625	1,823	-	-	1,876	9,326	3,752	13,078
Telephone/internet	5,127	3,418	855	1,709	-	-	2,564	13,673	3,418	17,091
Awards	-	-	-	-	-	-	-	-	485	485
Postage/shipping	4,704	3,136	784	1,762	60	-	2,352	12,798	3,136	15,934
Temporary services	2,701	1,801	450	900	-	-	1,351	7,203	1,801	9,004
Equipment rent	-	-	-	6,325	-	-	-	6,325	13,185	19,510
Repairs and maintenance	2,493	1,662	416	831	-	-	1,247	6,649	1,662	8,311
Miscellaneous	1,309	430	142	28,923	-	-	323	31,127	1,814	32,941
Printing	3,642	2,211	553	3,531	-	-	1,659	11,596	2,211	13,807
Audit/legal	-	-	-	-	-	-	-	-	5,500	5,500
Travel	95	63	228	77	-	-	47	510	2,040	2,550
Meals/breaks	880	586	147	741	-	-	440	2,794	586	3,380
Memberships	-	-	-	-	-	-	-	-	4,346	4,346
Software	-	-	-	-	-	-	-	-	1,459	1,459
Advertising	2,336	1,557	389	779	-	-	1,168	6,229	1,557	7,786
Bad debt expense	2,174	2,174	-	-	-	-	-	4,348	-	4,348
Payroll services	348	348	261	174	87	87	174	1,479	261	1,740
Publications	-	-	-	-	2,145	-	-	2,145	-	2,145
Employee development	-	-	-	-	-	-	-	-	2,004	2,004
License	255	170	43	85	-	-	128	681	170	851
Small equipment purchase	-	-	-	-	-	-	-	-	328	328
	<u>\$ 243,085</u>	<u>\$ 392,011</u>	<u>\$ 98,222</u>	<u>\$ 151,057</u>	<u>\$ 27,722</u>	<u>\$ 26,300</u>	<u>\$ 79,788</u>	<u>\$ 1,018,185</u>	<u>\$ 158,169</u>	<u>\$ 1,176,354</u>

See accompanying notes.

CENTER FOR NONPROFIT MANAGEMENT, INC.
STATEMENTS OF CASH FLOWS
For the years ended December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Cash flows from operating activities:		
Change in net assets	\$ 377,893	\$ 112,518
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	17,504	11,909
Loss on disposal of assets	-	1,489
Changes in operating assets and liabilities		
Client fees receivable	24,229	(37,241)
Contributions receivable	(173,702)	(43)
Association fees receivable	-	155,264
Inventory	(5,845)	-
Accounts payable and accrued expenses	(1,605)	(17,262)
Deferred revenue and support	22,842	(28,196)
Net cash provided by operating activities	<u>261,316</u>	<u>198,438</u>
Cash flows from investing activities:		
Purchase of property and equipment	<u>(6,433)</u>	<u>(20,425)</u>
Net cash used in investing activities	<u>(6,433)</u>	<u>(20,425)</u>
Increase in cash	254,883	178,013
Cash at beginning of year	<u>317,939</u>	<u>139,926</u>
Cash at end of year	<u><u>\$ 572,822</u></u>	<u><u>\$ 317,939</u></u>

See accompanying notes.

CENTER FOR NONPROFIT MANAGEMENT, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2006 and 2005

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, 2006 and 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions (Continued)

The Organization had no permanently restricted net assets at December 31, 2006 and 2005.

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.

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:

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.

CENTER FOR NONPROFIT MANAGEMENT, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2006 and 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2006.

Advertising Expense

The Organization expenses advertising costs as incurred. Advertising costs charged to expense totaled \$6,554 in 2006 and \$7,786 in 2005.

NOTE 2 – INVESTMENTS

During 1998, the Organization was gifted fifteen shares of non-voting preferred stock, \$1,000 par, in a certain corporation. As a preferred shareholder, the Organization is entitled to receive dividends at an annual dividend rate of 1.50 percent under the prime interest rate (as referenced in the Wall Street Journal on the date such dividend is declared). Because of the inherent limitations on transferability, the stock does not have a readily determinable market value; however, management believes that the cost closely approximates market value and, accordingly, has recorded the investment at such.

CENTER FOR NONPROFIT MANAGEMENT, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2006 and 2005

NOTE 3 – CONTRIBUTIONS RECEIVABLE

Contributions receivable include \$195,000 at December 31, 2006 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 2007 and 2008.

Contributions receivable included approximately \$23,000 at December 31, 2005, which consisted primarily of a conditional promise to give. The Organization has recorded a like amount in deferred revenue and support at December 31, 2005 and realized the contributions in 2006.

Contributions receivable at December 31, 2006 are expected to be received as follows:

Amounts due in 2007	\$ 97,780
Amounts due in 2008	<u>100,000</u>
	<u>\$ 197,780</u>

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

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Equipment	\$ 59,404	52,971
Furniture and fixtures	81,305	81,305
Leasehold improvements	31,281	31,281
Community calendar	<u>8,000</u>	<u>8,000</u>
	179,990	173,557
Less accumulated depreciation and amortization	<u>(150,629)</u>	<u>(133,125)</u>
	<u>\$ 29,361</u>	<u>\$ 40,432</u>

NOTE 5 – RETIREMENT PLAN

The Organization adopted a Simplified Employee Pension Plan (SEP) for all employees as of January 1, 1993, 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 \$31,448 and \$16,349 for the years ended December 31, 2006 and 2005, respectively.

CENTER FOR NONPROFIT MANAGEMENT, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2006 and 2005

NOTE 6 – LEASE CONTRACTS

At December 31, 2006, the Organization was obligated under certain operating leases for office space and equipment that expire through 2011. Expense for such leases was approximately \$112,000 and \$105,000 for the years ended December 31, 2006 and 2005, respectively. Future minimum lease commitments are as follows:

Year ending December 31,	
2007	\$ 45,952
2008	2,842
2009	2,842
2010	1,615
2011	<u>752</u>
	<u>\$ 54,003</u>

NOTE 7 – CONCENTRATIONS

During 2006 and 2005, the Organization recorded contributions from one major donor. This support comprises 8% of total revenue for 2006 (11% for 2005). A significant reduction in the level of support, if this were to occur, could have an adverse impact on the Organization's programs and services.

NOTE 8 – TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2006</u>	<u>2005</u>
Nonprofit Excellence Funds ("Invest in Success")	\$ 305,159	\$ -
2007 Summer Institute	<u>25,000</u>	<u>-</u>
Total temporarily restricted net assets	<u>\$ 330,159</u>	<u>\$ -</u>

NOTE 9 – SUBSEQUENT EVENT

Effective February 2007, the Organization received approximately \$50,000 of net assets from the Association for Nonprofit Executives ("ANE") a smaller nonprofit organization located in Nashville, Tennessee. ANE will become a program of Center for Nonprofit Management in 2007.