CENTER FOR NONPROFIT MANAGEMENT, INC.

FINANCIAL STATEMENTS

December 31, 2011 and 2010

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 statements of financial position of Center for Nonprofit Management, Inc. (a nonprofit organization) as of December 31, 2011 and 2010, 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, 2011 and 2010, 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 13, 2012

CENTER FOR NONPROFIT MANAGEMENT, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2011 and 2010

	2011	2010
Assets		
Assets:		
Cash	$ 410,465	$ 193,183
Investments	564,989	574,398
Client fees receivable	120,560	104,791
Contributions receivable	7,000	-
Prepaid expenses	3,750	1,750
Inventory	725	725
Deposits	5,000	5,000
Property and equipment - net of accumulated depreciation of $221,073 and $193,017, respectively	145,197	72,478
Total assets	$ 1,257,686	$ 952,325
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	$ 24,223	$ 888
Deferred revenue and support	116,841	108,835
Total liabilities	141,064	109,723
Net assets:		
Unrestricted	1,037,785	734,132
Temporarily restricted	78,837	108,470
Total net assets	1,116,622	842,602
Total liabilities and net assets	$ 1,257,686	$ 952,325

See accompanying notes.

CENTER FOR NONPROFIT MANAGEMENT, INC.
STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2011 and 2010

	2011	2010
Changes in unrestricted net assets:		
Revenues and other support:		
Service fees	$ 1,127,908	$ 1,053,399
Grants	185,575	194,500
Association fee revenue	290,688	125,044
Contributions (including in-kind contributions of $43,665 and $46,479, respectively)	115,410	117,484
Event ticket sales	75,835	73,520
Interest income	5,468	8,460
Other	4,742	4,360
Released from restriction for purpose accomplished	152,133	107,868
Total unrestricted revenues and other support	1,957,759	1,684,635
Expenses:		
Consulting	656,081	681,812
Training and development	276,193	269,405
Salute to Excellence	211,763	199,711
Evaluation	123,624	111,959
Membership	99,682	90,559
Products	43,436	47,967
Management Resource Center	36,277	33,592
Management and general and fundraising	207,050	192,278
Total expenses	1,654,106	1,627,283
Increase in unrestricted net assets	303,653	57,352
Changes in temporarily restricted net assets:		
Contributions	122,500	80,600
Released from restriction for purpose accomplished	(152,133)	(107,868)
Decrease in temporarily restricted net assets	(29,633)	(27,268)
Total change in net assets	274,020	30,084
Net assets at beginning of year	842,602	812,518
Net assets at end of year	$ 1,116,622	$ 842,602

See accompanying notes.

CENTER FOR NONPROFIT MANAGEMENT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2011

	Consulting	Training and Development	Salute to Excellence	Evaluation	Membership	Products	Management Resource Center	Total Program Services	Management and General and Fundraising	Total All Expenses
Cost of services	$ 475,699	$ 75,390	$ 39,622	$ 11,102	$ 1,174	$ 9,500	$ -	$ 612,487	$ -	$ 612,487
Salaries/benefits	115,578	115,578	57,789	86,684	57,789	28,894	28,894	491,206	86,684	577,890
Office rent	19,659	29,489	9,830	4,915	14,744	-	-	78,637	19,659	98,296
Insurance	14,817	15,556	7,408	10,371	7,778	3,333	3,333	62,596	11,481	74,077
Miscellaneous	1,546	2,318	44,438	386	1,159	-	-	49,847	2,098	51,945
Moving expenses	6,437	6,437	3,219	4,828	3,219	1,609	1,609	27,358	4,828	32,186
Depreciation	-	-	-	-	-	-	-	-	28,056	28,056
Equipment rent	-	-	8,541	-	-	-	-	8,541	13,231	21,772
Office supplies	3,106	4,659	5,601	967	2,330	-	-	16,663	3,106	19,769
Video production	-	-	18,225	-	-	-	-	18,225	-	18,225
Temporary services	2,227	3,341	7,696	557	1,670	-	-	15,491	2,227	17,718
Telephone/internet	3,077	4,616	1,538	769	2,307	-	-	12,307	3,077	15,384
Repairs and maintenance	2,873	4,309	1,436	718	2,154	-	-	11,490	2,872	14,362
Postage/shipping	2,135	3,203	1,259	841	1,602	-	-	9,040	2,135	11,175
Audit/legal	-	-	-	-	-	-	-	-	8,612	8,612
Advertising	1,581	2,371	790	395	1,185	-	-	6,322	1,580	7,902
Bad debt expense	3,784	3,783	-	-	-	-	-	7,567	-	7,567
Meals/breaks	1,095	1,642	2,100	274	821	-	-	5,932	1,095	7,027
Printing	1,060	1,591	1,482	265	795	-	-	5,193	1,061	6,254
Software	-	-	-	-	-	-	-	-	6,242	6,242
Memberships	-	-	-	-	-	-	-	-	4,474	4,474
Print production services	531	796	265	133	398	-	-	2,123	530	2,653
Publications	-	-	-	-	-	-	2,341	2,341	-	2,341
License	425	638	213	106	319	-	-	1,701	425	2,126
Small equipment purchase	-	-	-	-	-	-	-	-	2,101	2,101
Payroll services	402	402	201	301	201	100	100	1,707	302	2,009
Travel	49	74	110	12	37	-	-	282	924	1,206
Employee development	-	-	-	-	-	-	-	-	250	250
	$ 656,081	$ 276,193	$ 211,763	$ 123,624	$ 99,682	$ 43,436	$ 36,277	$ 1,447,056	$ 207,050	$ 1,654,106

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 Expenses
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.
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2011 and 2010

	2011	2010
Cash flows from operating activities:		
Change in net assets	$ 274,020	$ 30,084
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Contributions restricted for long-term purposes	(100,000)	-
Depreciation	28,056	28,603
Changes in operating assets and liabilities:		
Client fees receivable	(15,769)	(7,883)
Contributions receivable	(7,000)	-
Prepaid expenses	(2,000)	2,000
Inventory	-	2,767
Accounts payable and accrued expenses	23,335	(6,526)
Deferred revenue and support	8,006	31,685
Net cash provided by operating activities	208,648	80,730
Cash flows from investing activities:		
Proceeds from sale of investments	15,000	-
Purchase of investments	(5,591)	(8,198)
Purchase of property and equipment	(100,775)	-
Net cash used in investing activities	(91,366)	(8,198)
Cash flows from financing activities:		
Proceeds from contributions restricted for investment in property and equipment	100,000	-
Net cash provided by financing activities	100,000	-
Increase in cash	217,282	72,532
Cash at beginning of year	193,183	120,651
Cash at end of year	$ 410,465	$ 193,183

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

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 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.

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, 2011 and 2010.

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 designated 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 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:

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, 2008 through 2011.

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.

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 2011 and 2010.

Advertising Expense

The Organization expenses advertising costs as incurred. Advertising costs charged to expense totaled $7,902 in 2011 and $8,940 in 2010.

Subsequent Events

The Organization evaluated subsequent events through March 13, 2012, 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 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: 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:

	2011			
	Level 1	**Level 2**	**Level 3**	**Total**
Money market funds	$ 558,050	$ -	$ -	$ 558,050
Agency funds	6,939	-	-	6,939
Total assets at fair value	$ 564,989	$ -	$ -	$ 564,989

	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 3 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31:

	2011	2010
Equipment	$ 40,684	$ 40,684
Furniture and fixtures	81,305	81,305
Leasehold improvements	31,281	31,281
Database	112,225	112,225
Prepaid office furniture and equipment	100,775	-
	366,270	265,495
Less accumulated depreciation	(221,073)	(193,017)
	$ 145,197	$ 72,478

Prepaid office furniture and equipment at December 31, 2011 of $100,775 represents furniture and equipment purchased in preparation of the Organization's move to new office space. These items were placed into service during 2012. See Note 6.

NOTE 4 – TEMPORARILY RESTRICTED NET ASSETS

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

	2011	2010
Nonprofit Excellence Funds ("Invest in Success")	$ 33,767	$ 63,400
Association of Nonprofit Executives Funds	45,070	45,070
Total temporarily restricted net assets	$ 78,837	$ 108,470

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 or older. Contributions were calculated at a rate of 3% of base salary for 2011 and 2010. Contributions to the plan or to alternative employee-elected payment options amounted to $22,250 and $12,161 for the years ended December 31, 2011 and 2010, respectively.

NOTE 6 – LEASE CONTRACTS

The Organization was obligated under certain operating leases for office space and equipment that expired through 2013. The lease for office space could be terminated by either party with six months notice with no penalty. During 2011, the Organization exercised this option and terminated the lease as of February 2012.

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 such leases was approximately $120,000 and $116,000 for the years ended December 31, 2011 and 2010, respectively. Future minimum lease commitments are as follows:

Year ending December 31,	
2012	$ 58,964
2013	72,996
2014	72,996
2015	72,996
2016	72,996
Thereafter	395,395
	$ 746,343

NOTE 7 – CONCENTRATIONS

During 2011 and 2010, the Organization recorded contributions from one major donor comprising 10% and 9% of total revenue for December 31, 2011 and 2010, 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 $24,803 and $19,019 at December 31, 2011 and 2010, respectively.