

**CENTER FOR NONPROFIT MANAGEMENT, INC.**

**FINANCIAL STATEMENTS**

**December 31, 2005 and 2004**

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## 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, 2005 and 2004, 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, 2005 and 2004, 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 discussed in Note 8 to the financial statements, an understatement of previously reported income for certain years prior to 2005, was discovered by management of the Organization during the current year. Accordingly, an adjustment has been made to net assets as of January 1, 2004, to correct this understatement.

*Frasier, Dean & Howard, PLLC*

February 10, 2006

CENTER FOR NONPROFIT MANAGEMENT, INC.  
STATEMENTS OF FINANCIAL POSITION  
December 31, 2005 and 2004

Assets		
	2005	2004 (Restated)
Current assets		
Cash	\$ 317,939	\$ 139,926
Investments	15,000	15,000
Client fees receivable	166,724	129,483
Contributions receivable	24,078	24,035
Association fee receivable (Note 8)	-	155,264
Deposits	5,000	5,000
Total current assets	528,741	468,708
Property and equipment - net of accumulated depreciation of \$133,125 and \$172,810, respectively	40,432	33,405
Total assets	<u>\$ 569,173</u>	<u>\$ 502,113</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 9,582	\$ 26,844
Deferred revenue and support	92,874	121,070
Total current liabilities	102,456	147,914
Net assets		
Unrestricted	466,717	354,199
Total liabilities and net assets	<u>\$ 569,173</u>	<u>\$ 502,113</u>

See accompanying notes.

**CENTER FOR NONPROFIT MANAGEMENT, INC.**  
**STATEMENTS OF ACTIVITIES**  
For the years ended December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u> (Restated)
Changes in unrestricted net assets		
Revenues and other support		
Service fees	\$ 863,988	\$ 737,423
Grants	208,000	246,290
Contributions (including in-kind contributions of \$29,024 and \$15,188, respectively)	131,785	67,131
Salute event ticket sales	44,210	40,865
Interest income	8,042	1,908
Other	7,706	5,761
Association fee revenue	26,630	26,628
Loss of disposal of assets	(1,489)	-
	<u>1,288,872</u>	<u>1,126,006</u>
Total unrestricted revenues and support		
Expenses		
Consulting	392,011	422,366
Management and general	158,169	98,571
Training and development	243,085	307,719
Salute to Excellence	151,057	114,963
Performance Measurement Resource Center	98,222	124,141
Membership	79,788	-
Management Resource Center	27,722	26,082
Products	26,300	22,335
Other service	-	21,719
	<u>1,176,354</u>	<u>1,137,896</u>
Total expenses		
Increase (decrease) in unrestricted net assets	<u>112,518</u>	<u>(11,890)</u>
Net assets at beginning of year, as previously reported	354,199	237,453
Restatement (Note 8)	<u>-</u>	<u>128,636</u>
Net assets at beginning of year, as restated	<u>354,199</u>	<u>366,089</u>
Net assets at end of year	<u>\$ 466,717</u>	<u>\$ 354,199</u>

See accompanying notes.

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

	Training and Development	Consulting	Performance Measurement Resource Center	Salute to Excellence	Management Resource Center	Products	Membership	Total Program Services	Management and General	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.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
For the year ended December 31, 2004

	Consulting	Training and Development	Performance Measurement Resource Center	Salute to Excellence	Management Resource Center	Products	Other Services	Total Program Services	Management and General	Total All Services
Salaries/benefits	\$ 120,870	\$ 110,065	\$ 99,603	\$ 35,486	\$ 7,931	\$ 12,777	\$ 16,325	\$ 403,057	\$ 67,586	\$ 470,643
Cost of services	228,694	70,904	3,753	-	27	1,661	-	305,039	-	305,039
Office rent	14,367	43,237	(227)	4,218	8,277	1,519	1,940	73,331	8,034	81,365
Food service	-	-	-	22,522	-	-	-	22,522	-	22,522
Insurance	12,590	10,649	4,734	3,724	748	1,226	1,471	35,142	6,348	41,490
Depreciation	2,945	8,863	(47)	865	1,697	311	398	15,032	1,647	16,679
Video production	-	-	-	5,500	-	-	-	5,500	-	5,500
Office supplies	2,665	8,884	1,036	1,955	444	444	-	15,428	-	15,428
Print production services	4,017	13,390	1,562	4,175	669	669	-	24,482	-	24,482
Telephone/internet	4,825	4,393	466	1,416	317	510	-	11,927	2,698	14,625
Awards	78	34	26	1,627	2	3	-	1,770	12	1,782
Postage/shipping	3,153	10,510	1,226	1,591	525	525	-	17,530	-	17,530
Temporary services	8,166	7,536	3,127	2,397	536	863	1,103	23,728	4,566	28,294
Equipment rent	3,567	3,248	1,366	6,955	234	377	482	16,229	1,995	18,224
Repairs and maintenance	3,491	3,179	-	1,025	229	369	-	8,293	1,952	10,245
Miscellaneous	783	329	258	15,433	15	33	-	16,851	113	16,964
Printing	1,300	4,333	505	1,305	217	217	-	7,877	-	7,877
Audit/legal	2,089	901	691	647	41	92	-	4,461	319	4,780
Travel	1,716	1,563	-	504	113	182	-	4,078	959	5,037
Meals/breaks	1,315	567	435	1,822	26	58	-	4,223	201	4,424
Memberships	1,216	1,107	466	357	80	129	-	3,355	680	4,035
Software	910	829	-	267	60	96	-	2,162	509	2,671
Advertising	380	1,265	148	190	63	63	-	2,109	-	2,109
Bad debt expense	1,060	457	351	328	21	46	-	2,263	162	2,425
Payroll services	359	327	-	106	24	38	-	854	201	1,055
Publications	-	-	-	-	3,716	-	-	3,716	-	3,716
Employee development	770	701	295	226	50	81	-	2,123	430	2,553
License	770	332	255	238	15	34	-	1,644	118	1,762
PRMC other	-	-	4,023	-	-	-	-	4,023	-	4,023
Small equipment purchase	270	116	89	84	5	12	-	576	41	617
	<u>\$ 422,366</u>	<u>\$ 307,719</u>	<u>\$ 124,141</u>	<u>\$ 114,963</u>	<u>\$ 26,082</u>	<u>\$ 22,335</u>	<u>\$ 21,719</u>	<u>\$ 1,039,325</u>	<u>\$ 98,571</u>	<u>\$ 1,137,896</u>

See accompanying notes.

**CENTER FOR NONPROFIT MANAGEMENT, INC.**  
**STATEMENTS OF CASH FLOWS**  
For the years ended December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u> (Restated)
Cash flows from operating activities:		
Change in net assets	\$ 112,518	\$ (11,890)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	11,909	16,679
Loss on disposal of assets	1,489	183
Changes in operating assets and liabilities		
Client fees receivable	(37,241)	(46,627)
Contributions receivable	(43)	(24,035)
Association fees receivable	155,264	(26,628)
Prepaid expenses	-	13,358
Accounts payable and accrued expenses	(17,262)	19,109
Deferred revenue and support	(28,196)	62,084
Net cash provided by operating activities	<u>198,438</u>	<u>2,233</u>
Cash flows from investing activities:		
Insurance recovery on stolen equipment	-	900
Purchase of property and equipment	(20,425)	(1,733)
Net cash used in investing activities	<u>(20,425)</u>	<u>(833)</u>
Increase in cash	178,013	1,400
Cash at beginning of year	<u>139,926</u>	<u>138,526</u>
Cash at end of year	<u><u>\$ 317,939</u></u>	<u><u>\$ 139,926</u></u>

See accompanying notes.



**CENTER FOR NONPROFIT MANAGEMENT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2005 and 2004**

**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. The Organization had no temporarily or permanently restricted net assets at December 31, 2005 and 2004. 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.

The Organization had no temporarily or permanently restricted net assets at December 31, 2005 and 2004.

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.

**CENTER FOR NONPROFIT MANAGEMENT, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**December 31, 2005 and 2004**

**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 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.

**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.

**CENTER FOR NONPROFIT MANAGEMENT, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**December 31, 2005 and 2004**

**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.

**Advertising Expense**

The Organization expenses advertising costs as incurred. Advertising costs charged to expense totaled \$7,786 in 2005 and \$2,109 in 2004.

**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.

**NOTE 3 – CONTRIBUTIONS RECEIVABLE**

Contributions receivable include approximately \$23,000 at December 31, 2005 consisting primarily of a conditional promise to give from Pfizer Foundation. The Organization has recorded a like amount in deferred revenue and support and expects realization of such contributions in 2006.

Similar amounts of approximately \$24,000 were due from HCA at December 31, 2004 and were recognized in 2005.

**CENTER FOR NONPROFIT MANAGEMENT, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**December 31, 2005 and 2004**

**NOTE 4 – PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at December 31, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Equipment	\$ 52,971	\$ 89,531
Furniture and fixtures	81,305	85,403
Leasehold improvements	31,281	31,281
Community calendar	<u>8,000</u>	<u>-</u>
	173,557	206,215
Less accumulated depreciation and amortization	<u>(133,125)</u>	<u>(172,810)</u>
	<u>\$ 40,432</u>	<u>\$ 33,405</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 each year. Contributions to the plan amounted to \$16,349 and \$23,291 for the years ended December 31, 2005 and 2004, respectively.

**NOTE 6 – LEASE CONTRACTS**

At December 31, 2005, the Organization was obligated under certain operating leases for office space and equipment that expire through 2007. Expense for such leases was approximately \$105,000 and \$99,589 for the years ended December 31, 2005 and 2004, respectively. Future minimum lease commitments are as follows:

Year ending <u>December 31,</u>	
2006	\$ 86,931
2007	<u>43,991</u>
	<u>\$ 130,922</u>

**NOTE 7 – CONCENTRATIONS**

During the years ended December 31, 2005 and 2004 the Organization received approximately \$141,000 and \$181,000, respectively, from a major donor. This support comprises 11% of total revenue for 2005 (16% for 2004). 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.

**CENTER FOR NONPROFIT MANAGEMENT, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**December 31, 2005 and 2004**

**NOTE 8 – RESTATEMENT**

In 1993, the Organization entered into an Association Fee Agreement with BlueCross BlueShield of Tennessee whereby the Organization receives certain fees of its members that join the BlueCross BlueShield insurance program. During 2005, the Organization became aware of an underpayment of fees based on the agreement. Accordingly, the Organization has restated net assets at January 1, 2004 by \$128,636 to reflect such restatement and recorded Association fee revenue of \$26,628 in 2004 previously not recorded. During 2005, the Organization collected substantially all amounts owed under this program through December 31, 2005, approximating \$182,000.