CENTER FOR NONPROFIT EXCELLENCE

FINANCIAL REPORT

June 30, 2019

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Center for NonProfit Excellence
Charlottesville, Virginia

We have audited the accompanying financial statements of the Center for NonProfit Excellence which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Center for NonProfit Excellence as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
October 10, 2019

CENTER FOR NONPROFIT EXCELLENCE

STATEMENT OF FINANCIAL POSITION
June 30, 2019

ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$	469,256
Accounts receivable		118,300
Pledges receivable (Note 2)		25,000
Prepaid expenses		12,434
Security deposits		1,126
Total current assets		626,116
OTHER ASSETS		
Cash internally designated by Board as reserves		246,921
Beneficial interest in assets held by Community Foundation (Note 4)		26,585
Intangibles, net (Note 5)		9,828
Total other assets		283,334
Property and equipment, net (Note 3)		1,416
Total assets	$	910,866
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$	10,983
Deferred revenue and refundable advance		194,660
Total current liabilities		205,643
NET ASSETS		
Without donor restrictions (Note 1)		633,523
With donor restrictions (Note 7)		71,700
Total net assets		705,223
Total liabilities and net assets	$	910,866

The Notes to Financial Statements are an integral part of these statements.

CENTER FOR NONPROFIT EXCELLENCE

STATEMENT OF ACTIVITIES
Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT, REVENUES AND GAINS			
Public support:			
Individual contributions and sponsorships	$ 202,046	$ 22,102	$ 224,148
Corporate contributions and sponsorships	25,606	-	25,606
Foundation contributions and sponsorships	26,800	11,587	38,387
Nonprofit contributions and sponsorships	10,597	107,310	117,907
Total public support	265,049	140,999	406,048
Revenues and gains			
Membership dues	43,525	-	43,525
Program service fees	634,638	-	634,638
Resource center	4,262	-	4,262
Other revenues:			
Interest and dividends (Note 4)	1,944	-	1,944
Realized and unrealized gains (losses) on investments, net (Note 4)	(161)	2,092	1,931
Net assets released from restrictions (Note 8)	94,478	(94,478)	-
Total revenues and gains	778,686	(92,386)	686,300
Total public support, revenues and gains	1,043,735	48,613	1,092,348
EXPENSES			
Program	681,167	-	681,167
Management and general	213,652	-	213,652
Fundraising	146,311	-	146,311
Total expenses	1,041,130	-	1,041,130
Change in net assets	2,605	48,613	51,218
Net assets, beginning	630,918	23,087	654,005
Net assets, ending	$ 633,523	$ 71,700	$ 705,223

The Notes to Financial Statements are an integral part of these statements.

CENTER FOR NONPROFIT EXCELLENCE

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2019

	Program Services	Management and General	Fundraising	Total
Salaries, benefits and related expenses	$ 431,832	$ 84,849	$ 94,515	$ 611,196
Contract services	131,039	75,223	6,405	212,667
Coaching and speaker fees	39,039	-	12,500	51,539
Facility expenses	41,704	3,816	5,899	51,419
Food	8,875	1,848	16,612	27,335
Other expenses	10,664	3,846	2,128	16,638
Printing	104	6,721	1,874	8,699
Information technology	1,349	4,440	2,835	8,624
Depreciation and amortization	-	8,559	-	8,559
Internet and telephone	-	8,436	-	8,436
Accounting fees	-	6,500	-	6,500
Books, subscriptions, reference materials	5,002	1,165	-	6,167
Travel	4,397	731	535	5,663
Office supplies	876	3,599	104	4,579
Academy scholarship	4,200	-	-	4,200
Insurance	-	2,668	-	2,668
Stewardship	14	918	1,684	2,616
Equipment repairs and maintenance	1,597	90	-	1,687
Postage	40	18	1,020	1,078
Licenses and fees	435	225	200	860
Total expenses	$ 681,167 *	$ 213,652	$ 146,311	$ 1,041,130

* See Note 1 for further detail on program expenses

CENTER FOR NONPROFIT EXCELLENCE

STATEMENT OF CASH FLOWS
Year Ended June 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$	51,218
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization		8,559
Realized and unrealized gains on investments		(1,931)
Loss from sale of stock gifts		(161)
(Increase) decrease in:		
Accounts receivable		(113,627)
Pledges receivable		22,000
Prepaid expenses		(2,103)
Increase (decrease) in:		
Accounts payable and accrued expenses		(8,702)
Deferred revenue		129,520
Net cash provided by operating activities		84,773
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments		(2,207)
Net cash used in investing activities		(2,207)
Net increase in cash and cash equivalents		82,566
CASH AND CASH EQUIVALENTS		
Beginning		633,611
Ending	$	716,177
CASH IS REPORTED ON THE STATEMENT OF FINANCIAL POSITION AS:		
Cash and cash equivalents	$	469,256
Cash internally designated as board reserves		246,921
	$	716,177

The Notes to Financial Statements are an integral part of these statements.

Note 1. Nature of Activities and Significant Accounting Policies

Nature of Organization:

The Center for Nonprofit Excellence (the Center) is a nonprofit training and resource center located in Charlottesville, Virginia. The Center is a local resource center designed to bring local, regional, and national assistance to the nonprofits of Charlottesville and the surrounding areas through education, consulting and support. The Center makes these opportunities easily accessible to area nonprofits so that they may conserve resources, collaborate efforts and focus on their mission.

Basis of Accounting and Financial Reporting:

The financial statements of the Center have been prepared in accordance with the accounting principles generally accepted in the United States of America. The accompanying financial statements present information regarding the Center's financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. The two classes are differentiated by donor restrictions.

Net Assets without Donor Restrictions are free of donor-imposed restrictions. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Directors or may otherwise be limited by contractual agreements with outside parties. Revenues, gains, and losses that are not restricted by donors are included in this classification. Expenses are reported as decreases in this classification.

Net Assets with Donor Restrictions are limited in use by donor-imposed stipulations that expire either by the passage of time or that can be fulfilled by action of the Center pursuant to those stipulations. Net assets with donor restrictions also includes amounts required by donors to be held in perpetuity; however, generally, the income on these assets is available to meet various operating needs.

Cash and Cash Equivalents:

The Center considers all short term, highly liquid investments with maturities of three months or less to be cash equivalents. Cash and cash equivalents consist of bank deposits and amounts invested in certificates of deposit with no permanently imposed donor restrictions. Accounts in the bank are insured by the Federal Deposit Insurance Corporation (FDIC) generally up to $250,000 per financial institution. At times, the Center's balances exceed amounts insured by the FDIC.

Use of 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates.

(Continued)

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Revenue Recognition:

Contributions are indicated as net assets with donor restrictions and net assets without donor restrictions depending on the nature of restrictions. When a donor-stipulated time restriction ends or a purpose restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restriction.

Unconditional pledge contributions are recognized as revenue in the year the promise is made and are recorded at fair value which is the estimated present value of expected future cash flows. Conditional pledges are recognized as revenue when the conditions are substantially met.

Service revenue is recognized when the specified services are provided. Membership dues are considered to be an exchange based on the benefits received. Accordingly, membership dues are recognized over the membership period. With the exception of services provided in connection with membership dues, which are transferred over the period of membership, all services are transferred at a point in time.

Accounts Receivable:

Receivables are stated at the amount management expects to collect from outstanding balances. Management uses the direct write-off method for uncollectible accounts. Once management has determined that an account is uncollectible, the write-off is made. Bad debt expense of $1,391 was recorded for the year ended June 30, 2019. At June 30, 2019, there was $234 of receivables greater than 90 days past due.

Board Designated Operating Reserve:

The Board of Directors has established an operating reserve with the objective of setting aside funds to be drawn upon in the event of financial distress or an immediate liquidity need. The operating reserve balance totaled $246,921 at June 30, 2019.

Property and Equipment:

Property and equipment with a cost above $2,500 that is expected to be used for at least one year is capitalized. Property and equipment are reported at cost less accumulated depreciation and amortization. Items donated to the Center are reported at their estimated fair market value at the date of receipt. Property and equipment are depreciated over their estimated useful lives using an accelerated methods of depreciation over the following useful lives:

Leasehold improvements	5 years
Furniture, fixtures and equipment	5 - 7 years

Depreciation expense was $734 for the year ended June 30, 2019.

(Continued)

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Deferred Revenue and Refundable Advance:

The Center has entered into various contracts with strategic partners. Revenue is recognized on these contracts as performance obligations are met. The deferred amount on these contracts represents amounts received or receivable less the total amount of performance obligations satisfied. Additionally, the Center recognizes membership revenue over a rolling twelve month period resulting in a deferral of the unearned amount. Finally, there is income from program fees for workshops and other trainings deferred to the period when earned.

The Center received a conditional sponsorship for the Philanthropy Day event to be held in the next fiscal year. This was recorded as a refundable advance as the funds were received during the year ending June 30, 2019.

Income Taxes:

The Center is an organization described in Internal Revenue Code ("IRC") §501(c)(3) as operating exclusively for charitable and educational purposes and accordingly has been determined by the Internal Revenue Service to be exempt from federal and state income taxes. Therefore, no provision or liability for federal or state income taxes has been included in these financial statements.

Functional Allocation of Expenses:

The financial statements report certain categories of expenses that are attributable to more than one supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Occupancy related expenses have been allocated based on the usage and square footage of the office space utilized. All other allocated expenses are allocated according to estimated time spent on activities. Other expenses are directly attributable to a specific activity.

The following table shows a breakout of the various programs that make up program expenses:

Foundation partnerships	$ 227,905
Academies	100,399
Consulting	98,433
Membership	75,140
Communications	43,066
Resource center	37,780
Workshops and BBL	33,309
Advanced programs	32,713
Circles	17,357
Advocacy	15,065
	$ 681,167

(Continued)

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Beneficial Interest in Assets Held by Community Foundation:

The Center is the beneficiary under a Designated Agency Fund Agreement with the Charlottesville Area Community Foundation (the Foundation). The agency fund has been recorded in accordance with generally accepted accounting principles in the United States of America which state that if a resource provider transfers assets to a recipient entity and specifies itself as the beneficiary, a presumption that the transfer is reciprocal, and therefore not a contribution, is necessary even though the resource provider explicitly grants the recipient entity variance power. The assets of the fund are included in the statement of financial position of the Center as a beneficial interest in assets held by the Foundation. Distributions are paid upon the request of the Center and approval of the Foundation. The Foundation charges an administrative fee on the fund balance which is paid quarterly.

Revenue from Contracts with Customers:

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606). This ASU establishes principles for reporting useful information to users of the financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers; particularly, that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for goods and services. See Revenue Recognition and Deferred Revenue in Note 1 for further information on implementation by the Center.

Subsequent Events

Management has evaluated subsequent events through October 10, 2019, the date the financial statements were available to be issued.

Note 2. Pledges Receivable

Unconditional promises to give are expected to be collected entirely in the next fiscal year. The Center believes all pledges are collectible and, as such, has not recorded an allowance for uncollectible pledges.

As of June 30, 2019, the Center had received $5,000 of conditional pledges for the Philanthropy Day event which are not reflected in the financial statements.

Note 3. Property and Equipment

Property and equipment consist of the following:

	2019
Furniture, fixtures and equipment	$ 14,364
Leasehold improvements	5,572
	19,936
Less accumulated depreciation	(18,520)
	$ 1,416

Note 4. Investments and Fair Value Measurement

Generally accepted accounting principles establish a three-level fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. These inputs can be readily observable, market corroborated, or generally unobservable inputs. Financial assets and liabilities carried at fair value are classified and disclosed in one of the following three categories based on the inputs used in valuation:

Level 1 – Fair values are based on unadjusted quoted prices in active markets for identical assets or liabilities that management has the ability to access at the measurement date.

Level 2 – Fair values are based on inputs other than quoted prices that are either for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that were observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Fair values are based on unobservable inputs for the asset or liability where there is little, if any, market activity for the asset or liability at the measurement date.

The Center uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Center measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are used only when Level 1 or Level 2 inputs are not available. There was a change in the technique regarding the valuation of the assets held by the Foundation which previously were reported as Level 3. Transfers are performed when supported by appropriate valuation inputs.

The fair value of the Center's beneficial interest in assets held by the Foundation is based on the fair value of fund investments as reported by the Foundation which is considered to be a Level 2 measurement due to valuation being performed by a third party.

The summary of inputs used to value the Center's investments is as follows:

	Level 1	Level 2	Total
Beneficial interest in assets held by Community Foundation	$ -	$ 26,585	$ 26,585

(Continued)

Note 5. Intangible Assets

Intangible assets consist of the Center's website costs. Intangible assets are amortized over their estimated useful life of 5 years. The assets are comprised of the following:

Website costs	$	39,125
Less: accumulated amortization		(21,472)
		17,653
Current year amortization expense		(7,825)
	$	9,828

Estimated amortization expense for the years ending June 30, 2020 and 2021 is $7,825 and $2,003 respectively.

Note 6. Line of Credit

The Center has a $100,000 line of credit with a maturity date of February 13, 2020. The line bears interest at the interest rate of 6.50% and is not collateralized. The Center had no outstanding balance on the line of credit as of June 30, 2019.

Note 7. Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes:

Finance academy	$	45,115
Leadership development		26,585
	$	71,700

Note 8. Net Assets Released from Donor Restrictions

Net assets were released from donor restrictions through expenditures satisfying the following purposes:

Finance academy	$	62,195
Nonprofit finance fund		15,000
Heal Charlottesville		11,587
Workshops		5,000
Other support		696
	$	94,478

Note 9. Leases

On May 15, 2018, the Center renewed a building lease agreement. The term of this lease is one year, beginning on July 1, 2019, and ending on June 30, 2020. Total rent expense was $43,979 for the year ended June 30, 2019. The future minimum lease payment for the fiscal year ending on June 30, 2020 is $45,513.

Note 10. Retirement Plan

The Center sponsors a tax-deferred retirement plan qualified under IRC Section 403(b) covering full-time employees. Total employer contributions for the year ended June 30, 2019 were $13,899.

Note 11. Liquidity and Availability of Resources

The following table reflects the Center's financial assets as of June 30, 2019, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, when assets are held for others, when restricted by donors, or because the governing board has set aside the funds for a specific contingency reserve. Any board designations could be drawn upon if the board approves that action. The Center considers general expenditures to be all expenditures related to its ongoing activities of bringing local, regional, and national assistance to the nonprofits of Charlottesville and the surrounding areas through education, consulting and support.

The Center has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Center maintains a $100,000 line of credit as mentioned in Note 5 and has $246,921 board designated operating reserves as mentioned in Note 1.

Financial assets:		
Cash and cash equivalents	$	716,177
Accounts receivable		118,300
Beneficial interest in assets held by Community Foundation		26,585
Pledges receivable		25,000
Financial assets, at year end		886,062
Less those unavailable for general expenditure within one year, due to:		
Board designated operating reserves		(246,921)
Donor imposed restrictions		(71,700)
Financial assets available to meet cash needs for general expenditures within one year	$	567,441