



Sonnenberg & Company, CPAs

A Professional Corporation

5190 Governor Drive, Suite 201, San Diego, California 92122

Phone: (858) 457-5252 • (800) 464-4HOA • Fax: (858) 457-2211 • (800) 303-4FAX



Leonard C. Sonnenberg, CPA

Nonprofit Management Solutions Compiled Financial Statements Year Ended December 31, 2016

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Independent Accountant's Compilation Report

To the Board of Directors
Nonprofit Management Solutions

Management is responsible for the accompanying financial statements of Nonprofit Management Solutions (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements in accordance with U.S. generally accepted accounting principles.

We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

The prior year summarized comparative information has been derived from the December 31, 2015 financial statements, which were compiled by us. Our report dated July 13, 2016 stated that we did not express an opinion or any other form of assurance on those financial statements.

The supplemental schedule of functional expenses on page 9 is presented for purposes of additional analysis and is not a required part of the basic financial statements. We have compiled such information and we do not express an opinion or provide any assurance on such supplementary information.

June 30, 2017

Sonnenberg & Company, CPAs

Nonprofit Management Solutions
Statement of Financial Position
December 31, 2016
(With Comparative Totals for December 31, 2015)

	2016	2015
ASSETS:		
Cash in Checking and Petty Cash	\$ 97,053	\$ 64,177
Cash in Money Market	11,427	11,426
Total Cash	108,480	75,603
Accounts Receivable	26,200	16,540
Prepaid Expenses	9,018	9,005
Deposits	2,153	2,153
Office Furniture, Fixtures & Equipment	33,673	33,673
Less Accumulated Depreciation	(33,673)	(33,673)
San Diego Foundation - Endowment	8,751	8,153
TOTAL ASSETS	\$ 154,602	\$ 111,454
 LIABILITIES:		
Accounts Payable	\$ 608	\$ 4,384
Accrued Expenses	13,428	15,941
TOTAL LIABILITIES	14,036	20,325
 NET ASSETS:		
Unrestricted	132,413	82,976
Permanently Restricted	8,153	8,153
TOTAL NET ASSETS	140,566	91,129
TOTAL LIABILITIES AND NET ASSETS	\$ 154,602	\$ 111,454

See Accompanying Notes and Independent Accountant's Compilation Report

Nonprofit Management Solutions
Statement of Activities
For the Year Ended December 31, 2016
(With Comparative Totals for Year Ended December 31, 2015)

	2016	2015
<u>Unrestricted</u>		
REVENUES:		
Client Fees	\$ 137,110	\$ 105,532
Workshops & Training Subscriptions	134,617	141,985
Donated Services	75,175	64,000
Foundation Grants	3,201	27,802
Members	36,213	38,744
Director's Fund	1,367	809
Interest and Other Income	4,410	3,130
	392,093	382,002
EXPENSES:		
Program Services	293,407	305,286
Management & General	49,249	46,104
	342,656	351,390
Change In Unrestricted Net Assets	\$ 49,437	\$ 30,612
<u>Permanently Restricted</u>		
Prior Period Adjustments - Permanently Restricted		8,532
Net Investment Income and (Expense)		(379)
		8,153
Change in Restricted Net Assets	\$ -	\$ 8,153
Beginning Net Assets	91,129	52,364
Total Change in Net Assets	49,437	38,765
	140,566	91,129
Ending Net Assets	\$ 140,566	\$ 91,129

See Accompanying Notes and Independent Accountant's Compilation Report

Nonprofit Management Solutions
Statement Of Cash Flows
For the Year Ended December 31, 2016
(With Comparative Totals for Year Ended December 31, 2015)

	<u>2016</u>	<u>2015</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Total Change In Net Assets	\$ 49,437	\$ 30,612
Adjustments to Reconcile Change in Net Assets to Net Cash Provided/Used by Operating Activities:		
Decrease / (Increase) in:		
Accounts Receivable	(9,660)	1,216
Prepaid Expenses	(13)	(2,501)
Increase / (Decrease) in:		
Accounts Payable	(3,776)	3,384
Accrued Expenses	<u>(2,513)</u>	<u>(5,731)</u>
Net Cash Provided/Used by Operating Activities	<u>33,475</u>	<u>26,980</u>
CASH FLOWS FROM INVESTMENT ACTIVITIES:		
Reinvested Earnings from Endowment	<u>(598)</u>	<u>-</u>
Net Cash Provided/Used by Investing Activities	<u>(598)</u>	<u>-</u>
Net Increase / (Decrease) in Cash:	32,877	26,980
Total Cash at:		
Beginning of Year	<u>75,603</u>	<u>48,623</u>
End of Year	<u>\$ 108,480</u>	<u>\$ 75,603</u>
NON-CASH TRANSACTION:		
Prior Year Adjustment - Restricted Endowment	<u>\$ -</u>	<u>\$ 8,153</u>

See Accompanying Notes and Independent Accountant's Compilation Report

Nonprofit Management Solutions
Notes to Financial Statements
Year Ended December 31, 2016

Note 1. Organization

Nonprofit Management Solutions (NMS) was originally organized in the 1970s under the Support Centers of America and was incorporated in 1991. Today's NMS is the result of two strategic mergers – first in 1989 with the Management Assistance Program (MAP) of the United Way of San Diego County and then in 1995 with the Executive Service Corps of San Diego County. In December 1999, the Board of Directors of Support Center/Executive Services Corps voted to change the organization's name to Nonprofit Management Solutions.

NMS is a not-for-profit organization operating under section 501(c)(3) of the Internal Revenue Code, and California Franchise Tax section 23701(d) and is exempt from federal and state income taxes.

The primary purpose of Nonprofit Management Solutions is to help people in nonprofit organizations to achieve their missions. NMS provides effective, affordable programs and services specifically designed for charitable organizations. "Blended solutions" combine training, consulting, and coaching to enhance organizational effectiveness and improve mission impact.

NMS's programs include:

Training Workshops – NMS annually provides over 200 workshops and seminars and on-site training for nonprofit staff, board members and volunteers on varied topics in organizational development, leadership and governance, human resources management, financial management, fundraising, marketing and computer skills.

Consulting – Consulting services are designed to increase the effectiveness and productivity of nonprofit organizations and are tailored to the specific needs of clients.

Resources – NMS provides information and resources through its resource and funding research library via on-line and printed books, journals and periodicals.

Membership – NMS provides a wide variety of membership services to individuals and organizations.

Note 2. Summary of Significant Accounting Policies

Basis of Accounting: The financial statements are presented on the accrual basis, in accordance with U.S. generally accepted accounting principles.

Use of Estimates: The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities in the financial statements. Estimates and assumptions may also affect disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses. Actual results could differ from those estimates.

Financial Statement Presentation: NMS 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.

Nonprofit Management Solutions
Notes to Financial Statements
Year Ended December 31, 2016

Note 2. Summary of Significant Accounting Policies (Continued)

Unrestricted Net Assets: These generally result from revenue generated by receiving unrestricted contributions and providing services less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

Temporarily Restricted Net Assets: NMS reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from program or capital restrictions. NMS currently has no Temporarily Restricted Net Assets.

Permanently Restricted Net Assets: These are net assets restricted by donors who stipulate that resources are to be maintained permanently, but permit the Organization to expend the income or other economic benefits derived from the donated assets. NMS has Permanently Restricted net assets being held at the San Diego Foundation.

Restricted and Unrestricted Revenue: NMS records contributions received as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Cash and Cash Equivalents: For purposes of presenting the Statements of Cash Flows, NMS considers all cash in bank and securities with an initial maturity of three months or less to be cash equivalents.

Furniture and Equipment: Furniture and equipment are recorded at cost or at fair value at the date of donation if donated. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets. Property and equipment are capitalized if the cost of an asset is greater than or equal to one thousand dollars (\$1,000) and the useful life is greater than one year. NMS's equipment was fully depreciated as of December 31, 2010.

Fees Receivable: Amounts reflected as receivable represent various fees for services deemed to be collectible as of December 31, 2016. Accordingly, no allowance for doubtful accounts has been deemed necessary.

Functional Expenses: A functional classification of expenses has been used to analyze the cost of providing various services or other activities, including Program Services and Supporting Services. Certain costs are allocated within the various categories. Program Services include all expenses incurred by the Organization for activities directly related to the purposes for which the Organization exists. Management and General include all expenses incurred for activities not directly related to the purposes for which the Organization exists. Fundraising expenses have not been allocated, as they are considered to be insignificant.

Nonprofit Management Solutions
Notes to Financial Statements
Year Ended December 31, 2016

Note 2. Summary of Significant Accounting Policies (Continued)

Fair Value Measurements: ASC 820-10, *Fair Value Measurement* (ASC 820-10). ASC 820-10 clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value, and requires additional disclosure about the use of fair value measurements in an effort to make the measurement of fair value more consistent and comparable.

ASC 820-10 defines fair value as the amount that would be received from the sale of an asset or paid for the transfer of liability in an orderly transaction between market participants, i.e. an exit price. To estimate an exit price, a three-tier hierarchy is used to prioritize the inputs:

- Level 1: Quoted prices in active markets for identical securities.
- Level 2: Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayments, spreads, credit risk, etc.).
- Level 3: Significant unobservable inputs (including the Council's own assumptions in determining the fair value of investments).

Fair value of the NMS's beneficial interest in the endowment fund held at the San Diego Foundation would be determined by calculating the present value of the future distributions expected to be received from the Foundation at an appropriate discount rate. The Management believes the best approximation of the Council's interest is the fair value of the fund balance at December 31, 2016 which is a Level 3 input for the purposes of beneficial interest valuation. The fund itself is valued using quoted market prices.

Donated Materials and Services: Contributions of non-cash assets are recorded at fair value in the period received. Contributions of services that create or enhance non-financial assets or that require specialized skills are recorded at fair value in the period received.

Comparative Financial Information: The financial statements are presented with certain prior year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with NMS's financial statements for the year ended December 31, 2015, from which the summarized information was derived. Certain accounts in the prior year financial statements may have been reclassified for purposes of overall comparability and consistency of presentation.

Note 3. Income Taxes

NMS is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California State Revenue and Taxation Code. NMS may be subject to tax on income which is not related to its exempt purposes, however none was reported for the year ended December 31, 2016. NMS qualifies for the charitable contribution deduction and has been classified as a public charity. Management of NMS has evaluated its uncertain tax positions and related income tax contingencies, and does not believe that any material uncertain tax positions exist. NMS' tax returns are subject to examination by Federal taxing authorities for a period of three years from the date they are filed and a period of four years for California taxing authorities.

Nonprofit Management Solutions
Notes to Financial Statements
Year Ended December 31, 2016

Note 4. Donated In-kind Services

Professional consultants donate time and expertise in the public training workshops. NMS values such services at \$125/hour. An estimated 575 volunteer consulting hours valued at \$71,875 were donated in 2016 and recorded in the accompanying financial statements. Administrative services of 220 hours for training programs and resource library valued at \$15/hour totaling \$3,300 were also donated and recorded in the financial statements. Total value donated in-kind services were \$75,175.

Note 5. Contingencies

Grant funds received by the Organization are subject to review by grantor agencies. Such reviews could lead to requests for reimbursements to the grantor agencies for expenditures disallowed under terms of the grants. Management believes that such disallowance, if any, will not be significant.

Note 6. Retirement Plan

NMS established a tax-deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. The plan covers full-time employees. The plan allows employees to contribute to the plan up the maximum amount allowed by the IRC. NMS did not contribute to the plan for the year ended December 31, 2016.

Note 7. Lease Commitments

NMS leased office space under a lease agreement during 2016 at \$3,200 per month, totaling \$38,400 for 2016. NMS obtained a renewed lease agreement which will expire December 31, 2018. The rent was renewed at \$3,250 per month effective January 1, 2017 for 2017 and \$3,300 per month for 2018. The remaining lease obligation is \$39,000 for 2017 and \$39,600 for 2018. However, a 3 month notice of termination by either party is included in the lease provisions.

Note 8. Permanently Restricted Net Assets

NMS received a permanently restricted endowment from the Philip Klauber Estate in June 2014, which is being held at the San Diego Foundation, to be retained indefinitely. NMS has enforceable rights and claims to such assets, including the sole right to income therefrom. Endowment assets are kept in a balanced pool that is intended to result in a consistent rate of return. Investments assets are managed to not expose the fund to unacceptable level of risk. Net realized and unrealized gains or losses related to the beneficial interest are reported as changes in permanently restricted net assets per the terms of the endowment agreement. The income from the assets can be used to support NMS activities. The balance as of December 31, 2015 was \$8,153. Net market gain of \$598 during 2016 resulted in an ending balance at December 31, 2016 of \$8,751.

Note 9. Management's Review

NMS has evaluated subsequent events through June 30, 2017, the date the compilation report was available to be issued. Management is not aware of any subsequent events that would require additional adjustments or disclosures.

Nonprofit Management Solutions
Schedule of Functional Expenses
For the Year Ended December 31, 2016
(With Summary Totals for Year Ended December 31, 2015)

	2016					2015	
	Program Training	Program Consulting	Program Resource	Program Membership	Program Total		Management & General
EXPENSES							
Payroll	\$ 51,585	\$ 38,649	\$ 2,504	\$ 15,847	\$ 108,585	\$ 29,170	\$ 137,755
Payroll Taxes	3,956	2,063	156	2,256	8,431	1,874	10,305
Employee Benefits	4,073	2,550	220	2,203	9,046	1,034	10,080
Subtotal Personnel	59,614	43,262	2,880	20,306	126,062	32,078	158,140
Accounting & Payroll Fees	888	445	23	448	1,804	1,283	3,087
Bank Charges	3,851	20	-	565	4,436	35	4,471
Bad Debts	-	330	-	-	330	-	330
Books & Publications	1,493	-	-	-	1,493	52	1,545
Library Resources	-	-	1,377	-	1,377	-	1,377
Conference & Training	533	2,922	92	372	3,919	1,759	5,678
Consultants	19,850	-	-	-	19,850	-	19,850
Consultants - InKind	71,875	-	-	-	71,875	3,300	75,175
Equipment Maintenance	816	454	25	221	1,516	223	1,739
Equipment Rental	1,457	743	43	294	2,537	552	3,089
Equipment/furniture purchase	513	286	45	282	1,126	1,680	2,806
Insurance -D/O & Gen Liability	1,636	1,071	184	796	3,687	1,734	5,421
Marketing	320	-	-	40	360	-	360
Meeting Site Costs	3,432	-	-	-	3,432	104	3,536
Memberships	88	10	-	9	107	112	219
Miscellaneous	-	-	-	-	-	1,890	1,890
Postage & Printing	91	19	1	11	122	13	135
Reimbursement expenses	155	60	-	-	215	72	287
Rent	17,950	8,627	1,686	8,693	36,956	1,444	38,400
Security Alarm	12	12	3	1	28	328	356
Supplies	1,706	150	13	53	1,922	328	2,250
Taxes & Fees	77	34	8	8	127	99	226
Telephone	2,068	1,353	113	1,214	4,748	405	5,153
Travel-transportation	1,062	474	-	109	1,645	257	1,902
Utilities	1,484	872	95	785	3,236	173	3,409
Volunteer Recognition	142	-	20	-	162	24	186
Website & IT	288	15	-	32	335	1,304	1,639
Total Expenses	\$ 191,401	\$ 61,159	\$ 6,608	\$ 34,239	\$ 293,407	\$ 49,249	\$ 342,656
							\$ 351,390

See Independent Accountant's Compilation Report