The Nonprofit Partnership

Auditor's Report and Financial Statements

December 31, 2014 and 2013

BKD LLP
CPAs & Advisors

The Nonprofit Partnership
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Contents

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Independent Auditor's Report

Board of Directors
The Nonprofit Partnership
Erie, Pennsylvania

We have audited the accompanying financial statements of The Nonprofit Partnership (Organization), which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities and cash flows for the years 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 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 audits 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 Organization'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 Organization'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 Nonprofit Partnership as of December 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BKD, LLP

Erie, Pennsylvania
March 30, 2015

The Nonprofit Partnership

Statements of Financial Position

December 31, 2014 and 2013

	2014	2013
Assets		
Cash	$ 6,516	$ 11,796
Receivables	-	4,050
Prepaid expenses	1,962	1,900
Office equipment, net of accumulated depreciation; 2014 - $6,305, 2013 - $5,014	2,855	996
Total assets	$ 11,333	$ 18,742
Liabilities and Net Assets		
Accounts payable and accrued expenses	$ 5,350	$ 1,170
Deferred revenue	46,062	41,045
Total liabilities	51,412	42,215
Unrestricted net assets	(40,079)	(23,473)
Total liabilities and net assets	$ 11,333	$ 18,742

The Nonprofit Partnership

Statements of Activities

December 31, 2014 and 2013

	2014	2013
Support and Revenue		
Contributions	$ 158,279	$ 205,006
Membership dues	86,407	74,084
Program revenue	60,256	50,508
Grants and other	89,700	10,411
Contributed services and facilities	13,500	7,650
Total support and revenue	408,142	347,659
Expenses		
Program	390,217	307,003
General and administrative	29,440	33,147
Fundraising	5,091	4,843
Total expenses	424,748	344,993
Change in Net Assets	(16,606)	2,666
Unrestricted Net Assets, Beginning of Year	(23,473)	(26,139)
Unrestricted Net Assets, End of Year	$ (40,079)	$ (23,473)

The Nonprofit Partnership

Statements of Cash Flows

December 31, 2014 and 2013

	2014	2013
Operating Activities		
Change in net assets	$ (16,606)	$ 2,666
Items not requiring operating activities cash flows		
Depreciation expense	1,291	613
Changes in		
Accounts receivable	4,050	892
Prepaid expenses	(62)	847
Accounts payable	4,180	450
Deferred revenue	5,017	1,621
Net cash provided by (used in) operating activities	(2,130)	7,089
Investing Activities		
Purchases of office equipment	(3,150)	(700)
Net cash used in investing activities	(3,150)	(700)
Increase (Decrease) in Cash	(5,280)	6,389
Cash, Beginning of Year	11,796	5,407
Cash, End of Year	$ 6,516	$ 11,796

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Organization

The Nonprofit Partnership (Organization) is a membership-based organization that provides education, training, and tools to strengthen local nonprofit agencies. The Nonprofit Partnership's mission is to enhance the management and governance of regional nonprofit organizations in northwestern Pennsylvania through capacity-building programs and services.

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 the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash

The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents.

Office Equipment

Office equipment is stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful life of three to five years.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Organization has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Organization in perpetuity. There were no temporarily or permanently restricted net assets as of December 31, 2014 and 2013.

Contributions

Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and net assets. Gifts received with a donor stipulation that limits their use are reported as temporarily or permanently restricted revenue and net assets. When a donor stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restrictions. Gifts having donor stipulations which are satisfied in the period the gift is received are reported as unrestricted revenue and net assets.

Gifts of land, buildings, equipment and other long-lived assets are reported as unrestricted revenue and net assets, unless explicit donor stipulations specify how such assets must be used, in which case, the gifts are reported as temporarily or permanently restricted revenue and net assets. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of temporarily restricted net assets as unrestricted net assets are reported when the long-lived assets are placed in service.

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique. The resulting discount is amortized using the level-yield method and is reported as contribution revenue.

Conditional gifts depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized as assets and revenue when the conditions are substantially met and the gift becomes unconditional.

Contributed Services

Contributions of services are recognized as revenue at their estimated fair value only when the services received create or enhance nonfinancial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated.

In 2014 and 2013, estimated values of $13,500 and $7,650, respectively, have been reflected in income in the Statements of Activities for donated services provided by speakers presenting at Nonprofit Partnership workshops. This amount represents the speakers' services contributed at an estimated value of $450 each. This has also been included as a program expense in "professional services and events expense" as disclosed in Note 2. In addition, the Board of Directors of the Organization has made contributions of their time to the development of the Organization's growth, the value of which is not reflected in these statements.

Deferred Revenue

Revenue from membership dues are received from member agencies throughout the year. Revenue related to membership dues is recognized over the annual membership term. The portion of membership dues received but not earned has been recorded as deferred revenue.

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of state law.

The Organization files tax returns in the U.S. federal jurisdiction. With a few exceptions, the Organization is no longer subject to U.S. federal examinations by tax authorities for years before 2011.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the Statements of Activities. Certain costs have been allocated among the program, management and general and fundraising categories based on the actual costs, employee time, square footage, and other methods. Note 6 summarizes expenses according to natural classification.

Note 2: Note Payable to Bank

The Organization has a $20,000 revolving bank line of credit expiring November 17, 2015. At December 31, 2014, there was $0 borrowed against this line. The line is collateralized by the Organization's cash account. Interest varies with the bank's prime rate plus 5%, which was 8.25% on December 31, 2014, and is payable monthly.

Note 3: Related Party Transactions

Two members of the Organization's Board of Directors are also members of management at The Erie Community Foundation. The Organization receives a significant amount of funding from The Erie Community Foundation.

In addition, a member of the Organization's Board of Directors is employed by the Organization's landlord for office space.

Note 4: Concentration

The Organization receives funding from The Erie Community Foundation. During 2014 and 2013, the Organization received 56% and 58%, respectively, of its support and revenue from The Erie Community Foundation. The Organization would not have adequate alternative funding to continue at the current level of operations if the loss of The Erie Community Foundation's financial support were to occur.

Note 5: Operating Leases

The Organization has operating leases for office space and equipment. The office space lease automatically renews each year on March 31, and the office equipment lease expires in 2019.

Future minimum lease payments under operating leases are:

2015	$ 2,863
2016	1,363
2017	1,363
2018	1,363
2019	1,363

Lease expense for the year ended December 31, 2014 and 2013was $6,341and $6,000, respectively.

Note 6: Retirement Plan

The Organization participates in The Erie Community Foundation's 401(k) retirement plan. Under this plan, the Organization matches 100% of employee contributions up to 6% of salary. For the years ended December 31, 2014 and 2013, the expense related to this plan totaled $8,197 and $4,320, respectively.

Note 7: Revenue Allocation

In 2014, the Organization began tracking revenue and expense by program. The following summarizes revenue and expense for the year ended December 31, 2014 for the various programs and administration:

	Education and Leadership	Volunteer	Strategy and Communication	Adminstration	Total
Revenue, Gains and Other Support					
Contributions	$ 54,000	$ 30,500	$ 37,500	$ 36,279	$ 158,279
Membership dues	30,768	11,256	36,392	7,991	86,407
Program revenue	47,282	-	12,366	608	60,256
Grants and other	97	13,250	75,728	625	89,700
Contributed services and facilities	13,500	-	-	-	13,500
Total support and revenue	145,647	55,006	161,986	45,503	408,142
Expense					
Program	157,354	53,927	163,844	15,092	390,217
General and administrative	-	-	-	29,440	29,440
Fundraising	-	-	-	5,091	5,091
Total expense	157,354	53,927	163,844	49,623	424,748
Change in Net Assets	(11,707)	1,079	(1,858)	(4,120)	(16,606)
Unrestricted Net Assets, Beginning of Year					(23,473)
Unrestricted Net Assets, End of Year					$ (40,079)

Note 8: Expense Allocation

The following summarizes expenses for the year ended December 31, 2014 according to natural classification:

	Program	General and Administrative	Fundraising	Total
Payroll and payroll taxes	$ 155,675	$ 12,747	$ 3,187	$ 171,609
Employee benefits	23,659	1,214	304	25,177
Professional services and events expense	63,935	7,354	500	71,789
Office supplies and expense	23,973	2,603	800	27,376
Hosted meetings and conferences	39,667	-	-	39,667
Marketing	1,532	-	-	1,532
Insurances	-	2,903	-	2,903
Depreciation	-	1,291	-	1,291
Grants paid	77,276	-	-	77,276
Miscellaneous expense	-	128	-	128
Rent and occupancy expense	4,500	1,200	300	6,000
Total	$ 390,217	$ 29,440	$ 5,091	$ 424,748

The following summarizes expenses for the year ended December 31, 2013 according to natural classification:

	Program	General and Administrative	Fundraising	Total
Payroll and payroll taxes	$ 111,829	$ 16,880	$ 3,167	$ 131,876
Employee benefits	23,519	3,490	557	27,566
Professional services and events expense	61,898	6,117	253	68,268
Office supplies and expense	19,579	2,493	617	22,689
Hosted meetings and conferences	35,271	637	119	36,027
Insurances	537	2,156	15	2,708
Depreciation	-	613	-	613
Grants paid	48,969	-	-	48,969
Miscellaneous expense	205	72	-	277
Rent and occupancy expense	5,196	689	115	6,000
Total	$ 307,003	$ 33,147	$ 4,843	$ 344,993

Note 9: Subsequent Events

Subsequent events have been evaluated through the date of the Independent Auditor’s Report, which is the date the financial statements were available to be issued.