

THE NONPROFIT PARTNERSHIP

FINANCIAL STATEMENTS

Years Ending December 31, 2018 and 2017

TABLE OF CONTENTS

	<i>Page Number</i>
Independent Auditor's Report.	1
Financial Statements	
Statements of Financial Position.	3
Statements of Activities.	4
Statements of Functional Expense.	5
Statements of Cash Flows.	6
Notes to Financial Statements.	7



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INDEPENDENT AUDITOR'S REPORT

Board of Directors
The Nonprofit Partnership

We have audited the accompanying financial statements of The Nonprofit Partnership (a nonprofit corporation), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses, 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 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 of 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 judgement, including the assessments 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 Nonprofit Partnership as of December 31, 2018 and 2017, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2018, the Nonprofit Partnership adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter

A handwritten signature in cursive script that reads "Monahan & Monahan".

Monahan & Monahan, P.C.
Certified Public Accountants

Erie, Pennsylvania
March 8, 2019

THE NONPROFIT PARTNERSHIP
STATEMENTS OF FINANCIAL POSITION
December 31,

	2018	2017
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 74,807	\$ 69,390
Prepaid expenses	1,710	4,270
Total current assets	76,517	73,660
Property and equipment:		
Office equipment	9,160	9,160
Less: accumulated depreciation	(9,117)	(8,487)
Total property and equipment	43	673
Total assets	\$ 76,560	\$ 74,333

LIABILITIES AND NET ASSETS

Current liabilities:		
Payroll and related liabilities	\$ 2,465	\$ 2,376
Deferred revenue	48,338	55,174
Total current liabilities	50,803	57,550
Net assets:		
Without donor restrictions	25,757	16,783
Total net assets	25,757	16,783
Total liabilities and net assets	\$ 76,560	\$ 74,333

The accompanying notes are an integral part of these financial statements.

THE NONPROFIT PARTNERSHIP
STATEMENTS OF ACTIVITIES
Years ended December 31,

	<u>2018</u>			<u>2017</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenue:						
Contributions	\$ 175,400	\$ —	\$ 175,400	\$ 180,508	\$ —	\$ 180,508
Membership dues	101,978	—	101,978	103,897	—	103,897
Program revenue	61,500	—	61,500	48,329	—	48,329
Grants and other	1,000	3,085	4,085	4,387	2,455	6,842
Contributed services and facilities	62,550	—	62,550	55,800	—	55,800
Net assets released from restrictions	3,085	(3,085)	—	2,455	(2,455)	—
Total support and revenue	<u>405,513</u>	<u>—</u>	<u>405,513</u>	<u>395,376</u>	<u>—</u>	<u>395,376</u>
Expenses:						
Program services	320,953	—	320,953	279,883	—	279,883
Management and general	67,078	—	67,078	87,453	—	87,453
Fundraising	8,508	—	8,508	6,252	—	6,252
Total expenses	<u>396,539</u>	<u>—</u>	<u>396,539</u>	<u>373,588</u>	<u>—</u>	<u>373,588</u>
Change in net assets	8,974	—	8,974	21,788	—	21,788
Net assets, beginning of year	<u>16,783</u>	<u>—</u>	<u>16,783</u>	<u>(5,005)</u>	<u>—</u>	<u>(5,005)</u>
Net assets, end of year	<u>\$ 25,757</u>	<u>\$ —</u>	<u>\$ 25,757</u>	<u>\$ 16,783</u>	<u>\$ —</u>	<u>\$ 16,783</u>

The accompanying notes are an integral part of these financial statements.

THE NONPROFIT PARTNERSHIP
STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended December 31,

	2018				2017			
	Program Services	Management And General	Fundraising	Total	Program Services	Management And General	Fundraising	Total
Payroll and related taxes	\$ 138,679	\$ 24,430	\$ 5,636	\$ 168,745	\$ 115,261	\$ 36,935	\$ 3,147	\$ 155,343
Employee benefits	35,864	7,720	1,378	44,962	28,677	10,017	957	39,651
Professional services and events	48,137	12,312	73	60,522	36,774	14,300	64	51,138
Office supplies and expenses	16,443	7,980	176	24,599	21,834	9,357	1,540	32,731
Hosted meetings and conferences	49,456	1,768	1,159	52,383	45,209	3,759	12	48,980
Marketing	58	—	—	58	54	—	—	54
Insurances	—	2,964	—	2,964	—	2,947	—	2,947
Grants/benefits paid to members	384	—	—	384	429	—	—	429
Rent and occupancy	31,932	8,342	86	40,360	31,387	8,979	532	40,898
Depreciation	—	630	—	630	—	630	—	630
Miscellaneous	—	932	—	932	258	529	—	787
Total expenses	<u>\$ 320,953</u>	<u>\$ 67,078</u>	<u>\$ 8,508</u>	<u>\$ 396,539</u>	<u>\$ 279,883</u>	<u>\$ 87,453</u>	<u>\$ 6,252</u>	<u>\$ 373,588</u>

The accompanying notes are an integral part of these financial statements.

THE NONPROFIT PARTNERSHIP
STATEMENTS OF CASH FLOWS
Years Ended December 31,

	2018	2017
Cash flows from operating activities:		
Change in net assets	\$ 8,974	\$ 21,788
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	630	630
(Increase) decrease in:		
Prepaid expenses	2,560	(2,520)
Increase (decrease) in:		
Accounts payable and accrued expenses	—	(61)
Payroll and related liabilities	89	(2,233)
Deferred revenue	(6,836)	5,216
Net cash provided by (used in) operating activities	5,417	22,820
Increase (decrease) in cash and cash equivalents	5,417	22,820
Cash and cash equivalents, beginning of year	69,390	46,570
Cash and cash equivalents, end of year	\$ 74,807	\$ 69,390

The accompanying notes are an integral part of these financial statements.

THE NONPROFIT PARTNERSHIP
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

Note 1 - Nature of Organization and Summary of Significant Accounting Policies

Organization and Nature of Activities

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

Significant Accounting Policies

Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) "Audit and Accounting Guide for Not-for-Profit Organizations" (the Guide). (ASC) 958-205 was effective January 1, 2018.

Under the provisions of the Guide, net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization's board may designate assets without restrictions for specific operational purposes from time to time.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Non-Profit Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Organization considered all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

THE NONPROFIT PARTNERSHIP
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

Note 1 - Nature of Organization and Summary of Significant Accounting Policies...(Continued)

Concentration of Credit Risk

The Organization maintains its cash balance in a local financial institution. The balance is insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2018 and 2017, there were no uninsured cash balances.

Donated Services, Supplies and Facilities

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained. The Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Contributions of services are recognized at their estimated fair value as revenue in the Statements of Activities and a program expense in the Statements of Functional Expenses. Donated services are recognized 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. The estimated fair value of a professional speaker is \$450 each. The estimated fair value of the facilities provided is \$12 per square foot. 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.

Property and Equipment

Property and equipment is carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in the Statement of Activities. The cost of maintenance and repairs is charged to income as incurred; significant renewals and betterments are capitalized in accordance with the Organization's capitalization policy.

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 yet earned has been recorded as deferred revenue.

THE NONPROFIT PARTNERSHIP
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

Note 1 - Nature of Organization and Summary of Significant Accounting Policies.....(Continued)

Functional Expense Allocation

The costs of supporting the various programs and other activities have been summarized on a functional basis in the Statement of Activities. Certain costs have been allocated among the program services, management and general and fundraising categories based on the actual costs, employee time, square footage, and other methods.

Income Tax Status

The Organization is a nonprofit corporation in the Commonwealth of Pennsylvania and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is not classified as a private foundation.

Accounting for Uncertain Tax Positions

Based on its review, management does not believe the Organization has taken any material uncertain tax positions, including any positions that would place the Organization's exempt status in jeopardy. However, the three most recent tax years remain open for examination by federal and state tax authorities.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reclassifications

Certain amounts in the 2017 financial statements have been reclassified to conform to the 2018 financial statement presentation. Such reclassification had no effect on the net assets as previously stated.

Subsequent Events

The Organization has evaluated subsequent events through March 8, 2019, the date which the financial statements were available to be issued.

New Accounting Pronouncements

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly.

THE NONPROFIT PARTNERSHIP
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

Note 2 - Property and Equipment

Property and equipment consisted of the following at December 31, :

	2018	2017	Estimated Useful Life
Furniture	\$ 895	\$ 895	5 years
Computers	8,265	8,265	2 - 5 years
	9,160	9,160	
Less: accumulation depreciation	(9,117)	(8,487)	
	\$ 43	\$ 673	

Depreciation expense for the years ending December 31, 2018 and 2017 was \$630.

Note 3 - Line of Credit

The Organization has a line of credit agreement with a local bank that provides funds up to a maximum of \$20,000. The line of credit is payable on demand with interest on the outstanding balance at 8.25%. The amount outstanding under this credit facility totaled \$ -0- at December 31, 2018 and 2017.

Note 4 - Contributed Services and Facilities

Contributed services and facilities are valued at their estimated fair value. In the years ended December 31, 2018 and 2017, the value of contributed services and facilities were as follows:

	2018	2017
Professional Speakers	\$ 30,150	\$ 23,400
Rent Reduction	32,400	32,400
	\$ 62,550	\$ 55,800

Note 5 - Related Party Transactions

Four 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.

Note 6 - Concentration

The Organization receives funding from The Erie Community Foundation. During 2018 and 2017, the Organization received 43% and 44%, 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.

THE NONPROFIT PARTNERSHIP
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

Note 7 - Operating Leases

The Organization has an operating lease for equipment. The lease requires monthly payments of \$138 and expires in 2022.

Future minimum lease payments under the operating lease are:

2019	\$	1,657
2020	\$	1,657
2021	\$	1,657
2022	\$	414
Thereafter		—
	<u>\$</u>	<u>5,385</u>

Lease expense for the year ended December 31, 2018 and 2017 was \$1,657 and \$1,656, respectively.

Note 8 - 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, 2018 and 2017, the expense related to this plan totaled \$4,956 and \$1,076, respectively.

Note 9 - Liquidity and Availability of Resources

The following reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed regulation within one year of the statement of financial position date.

Financial assets at year end	\$ 76,517
Less: those available for general expenditures within one year:	<u>—</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 76,517</u>