

THE NONPROFIT PARTNERSHIP

FINANCIAL STATEMENTS

Years Ending December 31, 2019 and 2018

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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, 2019 and 2018, 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, 2019 and 2018, 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, on January 1, 2019, the Organization adopted ASU 2014-09 Revenue from Contracts with Customers and all subsequent amendments to the ASU (collectively, "ASC 606"). 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
February 13, 2020

THE NONPROFIT PARTNERSHIP
STATEMENTS OF FINANCIAL POSITION
December 31,

	2019	2018
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 107,041	\$ 74,807
Prepaid expenses	1,783	1,710
Total current assets	108,824	76,517
Property and equipment:		
Office equipment	9,160	9,160
Less: accumulated depreciation	(9,160)	(9,117)
Total property and equipment	—	43
Total assets	\$ 108,824	\$ 76,560

LIABILITIES AND NET ASSETS

Current liabilities:		
Payroll and related liabilities	\$ 2,478	\$ 2,465
Deferred revenue	60,174	48,338
Total current liabilities	62,652	50,803
Net assets:		
Without donor restrictions	46,172	25,757
With donor restrictions	—	—
Total net assets	46,172	25,757
Total liabilities and net assets	\$ 108,824	\$ 76,560

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

THE NONPROFIT PARTNERSHIP
STATEMENTS OF ACTIVITIES
Years ended December 31,

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:						
Contributions	\$ 175,000	\$ —	\$ 175,000	\$ 175,000	\$ —	\$ 175,000
Membership dues	102,560	—	102,560	101,978	—	101,978
Program revenue	74,066	—	74,066	61,500	—	61,500
Grants and other	6,316	3,510	9,826	1,400	3,085	4,485
Contributed services and facilities	71,100	—	71,100	62,550	—	62,550
Net assets released from restrictions	3,510	(3,510)	—	3,085	(3,085)	—
Total support and revenue	<u>432,552</u>	<u>—</u>	<u>432,552</u>	<u>405,513</u>	<u>—</u>	<u>405,513</u>
Expenses:						
Program services	322,846	—	322,846	320,953	—	320,953
Management and general	72,672	—	72,672	67,078	—	67,078
Fundraising	16,619	—	16,619	8,508	—	8,508
Total expenses	<u>412,137</u>	<u>—</u>	<u>412,137</u>	<u>396,539</u>	<u>—</u>	<u>396,539</u>
Change in net assets	20,415	—	20,415	8,974	—	8,974
Net assets, beginning of year	<u>25,757</u>	<u>—</u>	<u>25,757</u>	<u>16,783</u>	<u>—</u>	<u>16,783</u>
Net assets, end of year	<u>\$ 46,172</u>	<u>\$ —</u>	<u>\$ 46,172</u>	<u>\$ 25,757</u>	<u>\$ —</u>	<u>\$ 25,757</u>

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

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

	2019				2018			
	Program Services	Management And General	Fundraising	Total	Program Services	Management And General	Fundraising	Total
Payroll and related taxes	\$ 143,004	\$ 26,838	\$ 9,593	\$ 179,435	\$ 138,679	\$ 24,430	\$ 5,636	\$ 168,745
Employee benefits	32,446	8,046	3,247	43,739	35,864	7,720	1,378	44,962
Professional services and events	49,425	8,158	17	57,600	48,137	12,312	73	60,522
Office supplies and expenses	14,637	6,184	1,080	21,901	16,443	7,980	176	24,599
Hosted meetings and conferences	55,316	4,721	2,224	62,261	49,456	1,768	1,159	52,383
Marketing	70	—	—	70	58	—	—	58
Insurances	—	3,026	—	3,026	—	2,964	—	2,964
Grants/benefits paid to members	368	—	—	368	384	—	—	384
Rent and occupancy	27,090	14,320	458	41,868	31,932	8,342	86	40,360
Depreciation	—	43	—	43	—	630	—	630
Miscellaneous	490	1,336	—	1,826	—	932	—	932
Total expenses	<u>\$ 322,846</u>	<u>\$ 72,672</u>	<u>\$ 16,619</u>	<u>\$ 412,137</u>	<u>\$ 320,953</u>	<u>\$ 67,078</u>	<u>\$ 8,508</u>	<u>\$ 396,539</u>

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

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

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ 20,415	\$ 8,974
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	43	630
(Increase) decrease in:		
Prepaid expenses	(73)	2,560
Increase (decrease) in:		
Payroll and related liabilities	13	89
Deferred revenue	<u>11,836</u>	<u>(6,836)</u>
Net cash provided by (used in) operating activities	<u>32,234</u>	<u>5,417</u>
Increase (decrease) in cash and cash equivalents	32,234	5,417
Cash and cash equivalents, beginning of year	<u>74,807</u>	<u>69,390</u>
Cash and cash equivalents, end of year	<u>\$ 107,041</u>	<u>\$ 74,807</u>

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

THE NONPROFIT PARTNERSHIP
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

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.

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, 2019 and 2018, there were no uninsured cash balances.

THE NONPROFIT PARTNERSHIP
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

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

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 net assets without donor restrictions 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 the performance obligations - dues and program services are received from member agencies throughout the year. Revenue related to this revenue stream is recognized over the annual membership term. The portion of this performance obligation received but not yet earned has been recorded as deferred revenue or the new standard refers to as a contract liability. The new standard ASC 606-10-452-2 defines this ***contract liability*** as "an entity's obligation to transfer goods and services to a customer for which the entity has received consideration". The standard permits the use of alternative descriptions in the Statement of Financial Position and the Organization reflects this liability as deferred revenue.

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.

THE NONPROFIT PARTNERSHIP
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

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

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 2018 financial statements have been reclassified to conform to the 2019 financial statement presentation. Such reclassification had no effect on the net assets as previously stated.

Subsequent Events

The Organization has evaluated subsequent events through February 13, 2020, the date which the financial statements were available to be issued.

New Accounting Pronouncements

Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606), the new revenue recognition framework supercedes the revenue recognition requirement in Topic 605, Revenue Recognition, and most industry-specific guidance throughout the Accounting Standards Codification (ASC). This industry guidance is formed in subtopic 958-605; Not-for-Profit Entities-Revenue Recognition. Some of this guidance remains in force, mainly portions relevant to contributions, however, with certain limitations all revenue generated through exchange transactions "contracts with customers" will be subject to the new standard.

In the nonprofit environment, revenue sourced from membership fees, sale of products and services, naming rights, sponsorships and special events are considered as "contracts with customers" once the contribution element is removed.

The core principle of the new standard is revenue recognition should "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 those goods and services" (ASC 606-10-05-3).

There is a five step approach 1) identify the contract with customer, 2) identify the performance obligation in the contract, 3) determine the transaction price, 4) allocate the transaction price to the performance obligation in the contract and 5) recognize revenue when (or as) the entity satisfies a performance obligation.

THE NONPROFIT PARTNERSHIP
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

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

New Accounting Pronouncements...(continued)

The Organization adopted the Standard as of January 1, 2019 and below is a breakdown of the revenue for the year's ending December 31,:

	2019		2018	
	Included as Contract with Customers	Not Included	Included as Contract with Customers	Not Included
Contributions		\$ 175,000		\$ 175,000
Membership Dues	\$ 102,500		\$ 101,978	
Program revenue	\$ 74,066		\$ 61,500	
Grants and other		\$ 9,826		\$ 4,485
Contributed		\$ 71,100		\$ 62,550

Membership dues are considered by the Organization as a performance obligation and is satisfied on an annual basis with no remaining obligation.

Program services are considered by the Organization as a performance obligation i.e. Non-Profit Day, Seminars and workshops. These services are provided at a point in time and satisfied during the year with no remaining obligation.

The adoption of ASC 606 did not result in a change to the accounting for any of the in-scope revenue streams; as such, no cumulative effect adjustment was recorded.

Note 2 - Property and Equipment

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

	2019	2018	Estimated Useful Life
Furniture	\$ 895	\$ 895	5 years
Computers	8,265	8,265	2 - 5 years
	9,160	9,160	
Less: accumulation depreciation	(9,160)	(9,117)	
	\$ —	\$ 43	

Depreciation expense for the years ending December 31, 2019 and 2018 was \$43 and \$630, respectively.

THE NONPROFIT PARTNERSHIP
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

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 7.5%. The amount outstanding under this credit facility totaled \$ -0- at December 31, 2019 and 2018.

Note 4 - Contributed Services and Facilities

Contributed services and facilities are valued at their estimated fair value. In the years ended December 31, 2019 and 2018, the value of contributed services and facilities were as follows:

	2019	2018
Professional Speakers	\$ 38,700	\$ 30,150
Rent Reduction	32,400	32,400
	<u>\$ 71,100</u>	<u>\$ 62,550</u>

Note 5 - Related Party Transactions

Three 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 2019 and 2018, the Organization received 42% and 43%, 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 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:

2020	\$	1,657
2021		1,657
2022		414
Thereafter		—
		<u>\$ 3,728</u>

Lease expense for the year ended December 31, 2019 and 2018 was \$1,657 and \$1,657 respectively.

THE NONPROFIT PARTNERSHIP
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

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 7% of salary. For the years ended December 31, 2019 and 2018, the expense related to this plan totaled \$5,746 and \$4,956, 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.

	<u>2019</u>	<u>2018</u>
Financial assets at year end	\$ 107,041	\$ 74,807
Less: those unavailable for general expenditures within one year	<u>—</u>	<u>—</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 107,041</u>	<u>\$ 74,807</u>