

THE NONPROFIT PARTNERSHIP

FINANCIAL STATEMENTS

Years Ending December 31, 2016 and 2015

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

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, 2016 and 2015, 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, 2016 and 2015, 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.

Monahan & Monahan, P.C.
Certified Public Accountants

Erie, Pennsylvania
February 24, 2017

THE NONPROFIT PARTNERSHIP
STATEMENTS OF FINANCIAL POSITION
December 31,

	2016	2015
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 46,570	\$ 13,970
Receivables	—	5,600
Prepaid expenses	1,750	1,960
Total current assets	48,320	21,530
Property and equipment:		
Office equipment	9,160	9,160
Less: accumulated depreciation	(7,857)	(7,227)
Total property and equipment	1,303	1,933
Total assets	\$ 49,623	\$ 23,463

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable and accrued expenses	\$ 61	\$ 2,000
Payroll and related liabilities	4,609	4,200
Deferred revenue	49,958	41,501
Total current liabilities	54,628	47,701
Net assets:		
Unrestricted	(5,005)	(24,238)
Total net assets	(5,005)	(24,238)
Total liabilities and net assets	\$ 49,623	\$ 23,463

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

THE NONPROFIT PARTNERSHIP
STATEMENTS OF ACTIVITIES
Years ended December 31,

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and revenue:						
Contributions	\$ 244,847	\$ —	\$ 244,847	\$ 152,279	\$ —	\$ 152,279
Membership dues	94,110	—	94,110	94,283	—	94,283
Program revenue	37,178	—	37,178	55,102	—	55,102
Grants and other	486	14,557	15,043	25,910	25,720	51,630
Contributed services and facilities	12,600	—	12,600	10,550	—	10,550
Net assets released from restrictions	14,557	(14,557)	—	25,720	(25,720)	—
Total support and revenue	<u>403,778</u>	<u>—</u>	<u>403,778</u>	<u>363,844</u>	<u>—</u>	<u>363,844</u>
Expenses:						
Program services	318,642	—	318,642	300,070	—	300,070
Management and general	57,683	—	57,683	43,781	—	43,781
Fundraising	8,220	—	8,220	4,152	—	4,152
Total expenses	<u>384,545</u>	<u>—</u>	<u>384,545</u>	<u>348,003</u>	<u>—</u>	<u>348,003</u>
Change in net assets	19,233	—	19,233	15,841	—	15,841
Net assets, beginning of year	<u>(24,238)</u>	<u>—</u>	<u>(24,238)</u>	<u>(40,079)</u>	<u>—</u>	<u>(40,079)</u>
Net assets, end of year	<u><u>\$ (5,005)</u></u>	<u><u>\$ —</u></u>	<u><u>\$ (5,005)</u></u>	<u><u>\$ (24,238)</u></u>	<u><u>\$ —</u></u>	<u><u>\$ (24,238)</u></u>

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

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

	2016				2015			
	<u>Program Services</u>	<u>Management And General</u>	<u>Fundraising</u>	<u>Total</u>	<u>Program Services</u>	<u>Management And General</u>	<u>Fundraising</u>	<u>Total</u>
Payroll and related taxes	\$ 168,145	\$ 35,144	\$ 6,201	\$ 209,490	\$ 115,104	\$ 12,058	\$ 2,127	\$ 129,289
Employee benefits	20,734	4,236	658	25,628	14,664	1,394	229	16,287
Professional services and events	41,639	6,698	176	48,513	80,366	22,326	1,049	103,741
Office supplies and expenses	12,310	5,937	959	19,206	15,383	3,159	514	19,056
Hosted meetings and conferences	46,283	—	—	46,283	43,370	—	—	43,370
Insurances	—	3,157	—	3,157	520	2,356	8	2,884
Grants paid	25,020	—	—	25,020	26,163	—	—	26,163
Rent and occupancy	4,511	1,525	226	6,262	4,500	1,275	225	6,000
Depreciation	—	630	—	630	—	922	—	922
Miscellaneous	—	356	—	356	—	291	—	291
Total expenses	<u>\$ 318,642</u>	<u>\$ 57,683</u>	<u>\$ 8,220</u>	<u>\$ 384,545</u>	<u>\$ 300,070</u>	<u>\$ 43,781</u>	<u>\$ 4,152</u>	<u>\$ 348,003</u>

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

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

	2016	2015
Cash flows from operating activities:		
Change in net assets	\$ 19,233	\$ 15,841
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	630	922
(Increase) decrease in:		
Receivables	5,600	(5,600)
Prepaid expenses	210	2
Increase (decrease) in:		
Accounts payable and accrued expenses	(1,939)	(3,350)
Payroll and related liabilities	409	4,200
Deferred revenue	8,457	(4,561)
Net cash provided by (used in) operating activities	32,600	7,454
Increase (decrease) in cash and cash equivalents	32,600	7,454
Cash and cash equivalents, beginning of year	13,970	6,516
Cash and cash equivalents, end of year	\$ 46,570	\$ 13,970

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

THE NONPROFIT PARTNERSHIP
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

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 Accounting

The Organization's policy is to prepare its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis of Presentation

The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) ASC 958, *Financial Statements of Not-For-Profit-Organizations*, which requires the Organization 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.

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, 2016 and 2015, there were no uninsured cash balances.

Donated Goods and Services

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.

THE NONPROFIT PARTNERSHIP
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

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

Donated Goods and Services...(continued)

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 2016 and 2015, estimated values of \$12,600 and \$10,550, 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" as reflected in the Statement of Functional Expense. 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.

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, 2016

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 2015 financial statements have been reclassified to conform to the 2016 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 24, 2017, the date which the financial statements were available to be issued.

Note 2 - Property and Equipment

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

	<u>2016</u>	<u>2015</u>	<u>Estimated Useful Life</u>
Furniture	\$ 895	\$ 895	5 years
Computers	<u>8,265</u>	<u>8,265</u>	2 - 5 years
	9,160	9,160	
Less: accumulation depreciation	<u>(7,857)</u>	<u>(7,227)</u>	
	<u>\$ 1,303</u>	<u>\$ 1,933</u>	

Depreciation expense for the years ending December 31, 2016 and 2015 was \$630 and \$922, respectively.

THE NONPROFIT PARTNERSHIP
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

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 8.75%. The line of credit is due November 2017. The amount outstanding under this credit facility totaled \$-0- at December 31, 2016 and 2015.

Note 4 - 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.

In December of 2016, the Organization moved to a new location. The new location is adjacent to and owned by the Erie Community Foundation. The Erie Community Foundation will provide in-kind rent to the Organization. However, as of the date of this report, the fair value has not yet been determined and therefore not recorded for 2016.

Note 5 - Concentration

The Organization receives funding from The Erie Community Foundation. During 2016 and 2015, the Organization received 60% and 48%, 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 6 - 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 is:

2017	\$	1,656
2018	\$	1,656
2019	\$	1,656
2020	\$	1,656
2021	\$	1,656
Thereafter	\$	414

Lease expense for the year ended December 31, 2016 and 2015 was \$2,807 and \$6,000, respectively.

THE NONPROFIT PARTNERSHIP
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

Note 7 - 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, 2016 and 2015, the expense related to this plan totaled \$5,265 and \$6,602, respectively.