

NONPROFIT MANAGEMENT SOLUTIONS
(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)
FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

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Independent Auditor's Report

To the Board of Directors
Nonprofit Management Solutions
8265 Vickers Street, Suite C
San Diego, California 92111

We have audited the accompanying statements of financial position of Nonprofit Management Solutions (A California Not-For-Profit Corporation) as of December 31, 2007 and 2006, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nonprofit Management Solutions as of December 31, 2007 and 2006, and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary schedules of functional expenses on pages 10 and 11 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

San Diego, California
March 4, 2008

**NONPROFIT MANAGEMENT SOLUTIONS
(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2007 AND 2006**

ASSETS	<u>2007</u>	<u>2006</u>
<u>Current Assets:</u> (Note 1)		
Cash and cash equivalents	\$199,011	\$106,200
Fees receivable	80,941	125,382
Prepaid expenses	<u>12,981</u>	<u>14,990</u>
Total Current Assets	<u>292,933</u>	<u>246,572</u>
<u>Noncurrent Assets:</u> (Notes 1 and 2)		
Furniture and equipment, net	2,489	4,267
Deposit	<u>2,153</u>	<u>2,153</u>
Total Noncurrent Assets	<u>4,642</u>	<u>6,420</u>
TOTAL ASSETS	<u>\$297,575</u>	<u>\$252,992</u>
LIABILITIES AND NET ASSETS		
<u>Current Liabilities:</u> (Note 1)		
Accounts payable	\$ 14,116	\$ 8,277
Accrued expenses	33,804	30,186
Deferred revenue	<u>32,225</u>	<u>6,530</u>
Total Current Liabilities	<u>80,145</u>	<u>44,993</u>
<u>Commitment</u> (Notes 3 and 4)		
<u>Unrestricted Net Assets</u> (Note 1)	<u>217,430</u>	<u>207,999</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$297,575</u>	<u>\$252,992</u>

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

**NONPROFIT MANAGEMENT SOLUTIONS
(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
<u>Support and Revenues:</u>		
On-site management and technology assistance	\$ 656,870	\$ 618,163
Training institute	345,899	313,852
Memberships	50,670	57,843
Special events	34,035	45,095
Director's fund	7,600	5,250
Investment income	5,523	7,652
Individual contributions	4,440	12,850
Publications	3,978	4,284
Corporation contributions	3,614	7,532
Other income	<u>1,765</u>	<u>-0-</u>
Total Support and Revenues	<u>1,114,394</u>	<u>1,072,521</u>
<u>Expenses:</u>		
Program Services:		
On-site management and technology assistance	654,914	579,959
Training institute	<u>300,639</u>	<u>319,361</u>
Total Program Services	<u>955,553</u>	<u>899,320</u>
Supporting Services:		
Management and general	109,068	137,771
Fundraising	<u>3,520</u>	<u>6,878</u>
Total Supporting Services	<u>112,588</u>	<u>144,649</u>
Total Functional Expenses	1,068,141	1,043,969
Special Events	<u>36,822</u>	<u>31,273</u>
Total Expenses	<u>1,104,963</u>	<u>1,075,242</u>
Change in Unrestricted Net Assets	9,431	(2,721)
Unrestricted Net Assets at Beginning of Year	<u>207,999</u>	<u>210,720</u>
UNRESTRICTED NET ASSETS AT END OF YEAR	<u>\$ 217,430</u>	<u>\$ 207,999</u>

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

**NONPROFIT MANAGEMENT SOLUTIONS
(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
<u>Cash Flows From Operating Activities:</u>		
Change in unrestricted net assets	\$ 9,431	\$ (2,721)
Adjustment to reconcile changes in unrestricted net assets to cash provided (used) by operating activities:		
Depreciation	2,413	2,574
(Increase) Decrease in:		
Fees receivable	44,441	26,223
Prepaid expenses	2,009	12,755
Increase (Decrease) in:		
Accounts payable	5,839	(28,586)
Accrued expenses	3,618	(18,706)
Deferred revenue	<u>25,695</u>	<u>(91,970)</u>
Net Cash Provided (Used) by Operating Activities	<u>93,446</u>	<u>(100,431)</u>
 <u>Cash Flows From Investing Activities:</u>		
Purchase of furniture and equipment	<u>(635)</u>	<u>(1,278)</u>
Net Cash Used by Investing Activities	<u>(635)</u>	<u>(1,278)</u>
 Net Increase (Decrease) in Cash and Cash Equivalents	92,811	(101,709)
 Cash and Cash Equivalents at Beginning of Year	<u>106,200</u>	<u>207,909</u>
 CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$199,011</u>	<u>\$106,200</u>

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

**NONPROFIT MANAGEMENT SOLUTIONS
(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

Note 1 - Organization and Nature of Activities and Significant Accounting Policies:

Organization and Nature of Activities

Nonprofit Management Solutions (the "Organization") is a California Nonprofit Corporation established to increase the performance and impact of the nonprofit sector in its continuing effort to develop community health and well being. The Organization's mission is to help nonprofit organizations improve their effectiveness in fulfilling their stated missions. This is accomplished through the various business training and management consultant pro-grams developed by the Organization.

The following is a brief description of the Organization's programs:

On-Site Management and Technology Assistance

Consulting and training services are designed to increase the effectiveness and productivity of nonprofit organizations and are tailored to the specific needs of our clients. Services include consultation in all areas of organizational development, management and governance, as well as board development, strategic planning, technology assessment and database development, customized on-site staff development training, meeting and retreat facilitation.

The Organization provides consulting and training services to the public and nonprofit entities under contract to various nonprofits and, from time to time, local and state governmental units.

Training Institute

The Organization presents over 200 workshops, seminars and leadership forums annually for nonprofit staff, board and volunteers on varied topics in organizational development, leadership and governance, human resources management, financial management, fundraising, marketing and computer skills.

Other Resources

The Organization provides information and resources through its membership program and resource and funding research library through both on-line and on-site books, journals, periodicals, and on its web site.

**NONPROFIT MANAGEMENT SOLUTIONS
(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

Note 1 - Organization and Nature of Activities and Significant Accounting Policies: (Continued)

Significant Accounting Policies

Method of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Financial Statement Presentation

The financial statements are presented in accordance with Statement of Financial Accounting Standards No. 117, "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.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Fees Receivable

Management believes that all fees receivable as of December 31, 2007 and 2006, were fully collectible. Therefore, no allowance for doubtful accounts was recorded.

Contributions

Contributions are recognized when the donor makes a promise to give to Non-profit Management Solutions that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

**NONPROFIT MANAGEMENT SOLUTIONS
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

Note 1 - Organization and Nature of Activities and Significant Accounting Policies: (Continued)

Significant Accounting Policies (Continued)

Furniture and Equipment

Furniture and equipment is recorded at cost for purchased property and fair market value at the date of acquisition for donated property. Furniture and equipment is being depreciated over estimated useful lives of five years using a straight-line method. Depreciation aggregated \$2,413 and \$2,574 for the years ended December 31, 2007 and 2006, respectively.

When assets are retired or sold, the related cost and accumulated depreciation are removed from the accounts and any gain or loss arising from such dispositions is included as income or expense. Expenditures for repairs and maintenance are charged to expense as incurred.

Deferred Revenue

Income received in advance is deferred and recognized over the periods to which the income relates. Deferred revenue totalling \$32,225 and \$6,530 represent revenues received during 2007 and 2006, respectively for which expenditures were not incurred in 2007 and 2006, respectively.

Donated Services

A substantial number of individuals have donated significant amounts of their time to the Organization, primarily through various program activities. These services are reflected in the accompanying financial statements using a valuation of the services based on amounts actually paid for equivalent services. Donated services by individuals conducting workshops and providing consulting are estimated at 2,146 hours and 2,025 hours and have been valued at \$214,600 and \$202,500 for 2007 and 2006, respectively, included in consultants in the accompanying supplementary schedule of functional expenses.

**NONPROFIT MANAGEMENT SOLUTIONS
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

Note 1 - Organization and Nature of Activities and Significant Accounting Policies: (Continued)

Significant Accounting Policies (Continued)

Allocated Expenses

Expenses by function have been allocated among program and supporting services classifications on the basis of internal records and estimates made by the Organization's management.

Income Taxes

The Organization is a public charity and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. The Organization is not a private foundation.

Concentration of Credit Risk

The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash and cash equivalents.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all investment instruments purchased with a maturity of three months or less to be cash equivalents.

Note 2 - Furniture and Equipment:

The following is a summary of furniture and equipment as of December 31:

	<u>2007</u>	<u>2006</u>
Furniture and equipment	\$111,255	\$110,620
Less: Accumulated depreciation	(108,766)	(106,353)
Furniture and Equipment, Net	<u>\$ 2,489</u>	<u>\$ 4,267</u>

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NOTES TO FINANCIAL STATEMENTS
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Note 3 - Retirement Plan:

The Organization established a tax-deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. The Plan covers full-time employees of the Organization. The Plan allows for employee contributions to the Plan up to the maximum amount allowed by the Internal Revenue Code if they wish. The Organization contributed 3% of gross salaries for participating employees to the Plan totalling \$7,886 and \$10,278 for the years ended December 31, 2007 and 2006, respectively.

Note 4 - Operating Lease:

The Organization leases office space under a lease agreement expiring February 28, 2010. In addition, they lease storage space on a month-to-month basis. Future minimum rental payments are as follows at December 31, 2007:

<u>Year Ended</u>	
2008	\$ 49,416
2009	49,416
2010	<u>8,236</u>
	<u>\$107,068</u>

Rent expense totalled \$54,420 and \$51,800 for the years ended December 31, 2007 and 2006, respectively.

**NONPROFIT MANAGEMENT SOLUTIONS
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SUPPLEMENTARY SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Program Services			Supporting Services		
	On-Site Management and Technology Assistance	Training Institute	Total Program Services	Management and General	Fundraising	Total Expenses
Salaries	\$242,337	\$ 49,345	\$291,682	\$ 68,664	\$1,819	\$ 362,165
Payroll taxes and benefits	34,837	9,757	44,594	13,508	1,083	59,185
Retirement			-0-	7,886		7,886
Total Payroll Expenses	277,174	59,102	336,276	90,058	2,902	429,236
Consultants	232,034	211,831	443,865			443,865
Rent	36,694	12,470	49,164	4,829	427	54,420
Advertising and printing	52,329	1,332	53,661	78		53,739
Travel	9,944	2,528	12,472	975		13,447
Supplies	6,104	2,752	8,856	2,037		10,893
Meetings and conferences	7,957	366	8,323	748		9,071
Professional fees	5,823	1,365	7,188	1,812		9,000
Equipment rental	4,501	1,926	6,427	1,349		7,776
Insurance	3,886	1,026	4,912	1,286	114	6,312
Utilities	2,946	556	3,502	697		4,199
Books and publications	1,386	476	1,862	1,684	32	3,578
Bank charges	1,103	1,569	2,672	897		3,569
Website	2,560	264	2,824	331		3,155
Volunteer recognition	2,478	128	2,606			2,606
Postage	1,247	729	1,976	413	36	2,425
Depreciation	2,413		2,413			2,413
Telephone	1,076	283	1,359	1,013		2,372
Office and administrative	1,466	304	1,770	380	9	2,159
Mailing costs		1,373	1,373			1,373
Membership	709	114	823	144		967
Taxes and fees	334	86	420	107		527
Miscellaneous	222	59	281	230		511
Equipment maintenance	442		442			442
Graphics	86		86			86
TOTAL FUNCTIONAL EXPENSES	<u>\$654,914</u>	<u>\$300,639</u>	<u>\$955,553</u>	<u>\$109,068</u>	<u>\$3,520</u>	<u>\$1,068,141</u>

**NONPROFIT MANAGEMENT SOLUTIONS
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SUPPLEMENTARY SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Program Services			Supporting Services		
	On-Site Management and Technology Assistance	Training Institute	Total Program Services	Management and General	Fundraising	Total Expenses
Salaries	\$256,202	\$ 64,852	\$321,054	\$ 79,295	\$4,567	\$ 404,916
Payroll taxes and benefits	36,579	10,741	47,320	13,589	1,201	62,110
Retirement	<u>134</u>		<u>134</u>	<u>10,144</u>		<u>10,278</u>
Total Payroll Expenses	292,915	75,593	368,508	103,028	5,768	477,304
Consultants	191,875	207,488	399,363	13,482	500	413,345
Rent	36,204	10,805	47,009	4,401	390	51,800
Travel	10,791	1,929	12,720	937		13,657
Supplies	9,126	1,762	10,888	2,474		13,362
Professional fees	5,464	1,442	6,906	1,809		8,715
Advertising and printing	333	6,864	7,197	1,321		8,518
Postage	1,645	2,973	4,618	1,441	104	6,163
Utilities	4,880	488	5,368	612		5,980
Insurance	3,675	970	4,645	1,219	106	5,970
Equipment rental	3,317	876	4,193	1,098		5,291
Meetings and conferences	3,305	1,876	5,181			5,181
Books and publications		1,375	1,375	3,459		4,834
Bank charges	2,344	619	2,963	775		3,738
Website	2,680	148	2,828	185		3,013
Depreciation	2,574		2,574			2,574
Telephone	1,712	296	2,008	369		2,377
Graphics		2,164	2,164			2,164
Equipment purchase	1,968		1,968			1,968
Office and administrative	1,100	290	1,390	476	10	1,876
Membership	881	310	1,191	263		1,454
Miscellaneous	1,389	56	1,445			1,445
Mailing costs	499	767	1,266			1,266
Equipment maintenance	560	148	708	185		893
Volunteer recognition	613	93	706			706
Taxes and fees	<u>109</u>	<u>29</u>	<u>138</u>	<u>237</u>		<u>375</u>
TOTAL FUNCTIONAL EXPENSES	<u>\$579,959</u>	<u>\$319,361</u>	<u>\$899,320</u>	<u>\$137,771</u>	<u>\$6,878</u>	<u>\$1,043,969</u>