

**Michigan Nonprofit Association
Lansing, Michigan**

FINANCIAL STATEMENTS

June 30, 2010

Michigan Nonprofit Association

TABLE OF CONTENTS

June 30, 2010

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statement of Financial Position	2
Statement of Activities	3
Statement of Cash Flows	4
Notes to Financial Statements	5-8
SUPPLEMENTARY INFORMATION	
Schedule of Functional Expenses	9
Schedule of Expenditures of Federal Awards	10
Notes to Schedule of Expenditures of Federal Awards	11
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	12-13
REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	14-15
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	16-17
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS	18

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Michigan Nonprofit Association
Lansing, Michigan

We have audited the accompanying statement of financial position of Michigan Nonprofit Association as of June 30, 2010, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Association's 2009 financial statements and in our report dated December 8, 2009, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 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 audit provides 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 Michigan Nonprofit Association as of June 30, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2010, on our consideration of Michigan Nonprofit Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Michigan Nonprofit Association taken as a whole. The accompanying supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

November 9, 2010

FINANCIAL STATEMENTS

Michigan Nonprofit Association

STATEMENTS OF FINANCIAL POSITION

June 30, 2010

(With Comparative Totals for June 30, 2009)

	<u>2010</u>	<u>2009</u>
ASSETS		
Current assets		
Cash	\$ 1,545,143	\$ 1,996,994
Accounts receivable	42,336	49,567
Grants and pledges receivable	2,860,058	1,931,037
Prepaid expenses	<u>16,843</u>	<u>72,113</u>
Total current assets	4,464,380	4,049,711
Fixed assets, net of accumulated depreciation	<u>15,525</u>	<u>27,553</u>
TOTAL ASSETS	<u><u>\$ 4,479,905</u></u>	<u><u>\$ 4,077,264</u></u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Current liabilities		
Accounts payable	\$ 405,495	\$ 109,938
Accrued liabilities	68,896	84,271
Deferred revenue	107,902	158,086
Capital lease payable	<u>-</u>	<u>477</u>
Total liabilities	582,293	352,772
NET ASSETS		
Unrestricted	545,458	755,415
Temporarily restricted	<u>3,352,154</u>	<u>2,969,077</u>
Total net assets	<u>3,897,612</u>	<u>3,724,492</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 4,479,905</u></u>	<u><u>\$ 4,077,264</u></u>

Michigan Nonprofit Association

STATEMENTS OF ACTIVITIES

Year Ended June 30, 2010
 (With Comparative Totals for Year Ended June 30, 2009)

	Unrestricted	Temporarily Restricted	Totals	
			2010	2009
SUPPORT AND REVENUE				
Grant revenue	\$ -	\$ 5,373,175	\$ 5,373,175	\$ 2,780,009
Contributions	1,122,138	-	1,122,138	1,064,229
Membership dues	407,116	-	407,116	428,401
Program fees and sponsorship	490,270	-	490,270	677,581
Investment income	24,658	-	24,658	21,674
Miscellaneous income	76,722	-	76,722	50,381
Net assets released from restrictions	4,990,098	(4,990,098)	-0-	-
TOTAL SUPPORT AND REVENUE	7,111,002	383,077	7,494,079	5,022,275
EXPENSES				
Program services				
Educational services	1,409,575	-	1,409,575	674,510
Public policy	813,439	-	813,439	476,178
Nonprofit outreach	560,210	-	560,210	537,473
Public grants	2,957,351	-	2,957,351	1,317,316
Volunteerism	1,218,430	-	1,218,430	1,230,426
Total program services	6,959,005	-0-	6,959,005	4,235,903
Supporting services				
Administration	326,323	-	326,323	875,005
Fundraising	35,631	-	35,631	144,681
Total supporting services	361,954	-0-	361,954	1,019,686
TOTAL EXPENSES	7,320,959	-0-	7,320,959	5,255,589
CHANGE IN NET ASSETS	(209,957)	383,077	173,120	(233,314)
Net assets, beginning of year	755,415	2,969,077	3,724,492	3,957,806
Net assets, end of year	\$ 545,458	\$ 3,352,154	\$ 3,897,612	\$ 3,724,492

Michigan Nonprofit Association

STATEMENTS OF CASH FLOWS

Year Ended June 30, 2010
(With Comparative Totals for Year Ended June 30, 2009)

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 173,120	\$ (233,314)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	12,028	10,386
Decrease in accounts receivable	7,231	1,051,865
(Increase) in grants and pledges receivable	(929,021)	(183,766)
(Increase) decrease in prepaid expenses	55,270	(18,720)
Increase in accounts payable	295,557	23,835
Increase (decrease) in accrued liabilities	(15,375)	46,308
Increase (decrease) in deferred revenue	<u>(50,184)</u>	<u>128</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(451,374)	696,722
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	-	(6,110)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on capital lease payable	<u>(477)</u>	<u>(4,754)</u>
NET INCREASE (DECREASE) IN CASH	(451,851)	685,858
Cash, beginning of year	<u>1,996,994</u>	<u>1,311,136</u>
Cash, end of year	<u><u>\$ 1,545,143</u></u>	<u><u>\$ 1,996,994</u></u>

Michigan Nonprofit Association
NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Michigan Nonprofit Association (the Association) is a nonprofit corporation organized to increase the capacity of Michigan's nonprofits to serve, strengthen, and transform communities. Programs of the Association are divided into five categories, as follows:

- Educational Services - the Association provides through its Lansing and Metro Detroit offices high-quality, low-cost training to nonprofit boards, staff, and volunteers throughout Michigan including statewide conferences and smaller regional seminars.
- Public Policy - in affiliation with the Council of Michigan Foundations, the Association promotes the involvement of Michigan's nonprofit community in public policy by training its leaders, building the capacity of its organizations and encouraging collaboration with public policymakers.
- Nonprofit Outreach - the Association serves both its members and the nonprofit sector statewide through a variety of programs and services.
- Public Grants - through state and federal funding sources, the Association provides capacity building services, including training and technical assistance, to small and mid-size nonprofit organizations as well as colleges and universities.
- Volunteerism - the Association has a strong commitment to volunteerism through its affiliations with the Michigan Campus Compact and the Volunteer Centers of Michigan, its partnership with the Michigan Community Service Commission, and with the support of the ConnectMichigan Alliance Endowment.

The accounting policies of the Association conform to U.S. generally accepted accounting principles (GAAP) as applicable to nonprofit entities. The Financial Accounting Standards Board (FASB) is the accepted standard-setting body for establishing nonprofit accounting and financial reporting principles. The following is a summary of the significant accounting policies of the Association:

Basis of Presentation - In accordance with GAAP, the Association is required to report information regarding its financial position and activities according to three (3) classes of net assets (unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets) based upon the existence or absence of donor-imposed restrictions.

GAAP also require contributions received to be recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. The Association has not received any contributions with donor-imposed restrictions that would result in permanently restricted net assets.

Basis of Accounting - Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied.

The financial statements of the Association are accounted for using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America for nonprofit organizations.

Cash - Cash consist of savings accounts, checking accounts, money market accounts, and cash on hand.

Fixed Assets - Equipment acquired by the Association is stated at cost, if purchased, or at fair value, if donated, with items capitalized at a unit cost of \$5,000 or greater and a life expectancy of one year or more. Depreciation is provided using the straight-line method over the useful lives of the respective assets, which range from 5 to 7 years. The costs of normal maintenance that do not add to the value of assets or materially extend the asset lives are not capitalized.

Deferred Revenue - Membership dues are paid annually. The portion of membership dues related to the subsequent year is recorded as deferred revenue at year-end.

Michigan Nonprofit Association

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Contributions - All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted support that increases that net asset class. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributed Materials, Equipment, and Services - GAAP require recognition of professional services received if those services (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. GAAP also require contributions of tangible assets to be recognized at fair value when received and the value of donated services to be recorded as contributions in the period the services are rendered. The amounts reflected in the financial statements as in-kind contributions will be offset by like amounts included in expenses. The Association did not receive contributed materials, equipment, or services during the fiscal years ended June 30, 2010 or 2009, meeting the recognition criteria.

Governmental Grants - The Association has accounted for governmental grants as contributions rather than exchange transactions. Governmental grant revenue is recognized as revenue when received and recorded as unrestricted or temporarily restricted, depending on the terms and conditions of the applicable grant agreement.

Functional Expense Allocation - Expenses identified as applying to a specific program or supporting service are recorded in the appropriate service area as incurred. Expenses not directly attributable to a program or supporting service are allocated between service areas based upon the cumulative results of time studies of professional staff time.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Income Taxes - The Association is a publicly supported organization exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code. The Association is not classified as a private foundation.

Subsequent Events - In preparing these financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through November 9, 2010, the date the financial statements were available to be issued.

Comparative Data - The financial statements include certain prior-year comparative information in order to provide an understanding of the changes in the Association's financial position and operations.

NOTE B: FIXED ASSETS

The following is a summary of the changes in fixed assets for the year ended June 30, 2010:

	Balance <u>July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2010</u>
Furniture and equipment	\$ 203,808	\$ -	\$(108,268)	\$ 95,540
Less: accumulated depreciation	<u>(176,255)</u>	<u>(12,028)</u>	<u>108,268</u>	<u>(80,015)</u>
	<u>\$ 27,553</u>	<u>\$(12,028)</u>	<u>\$ -0-</u>	<u>\$ 15,525</u>

Michigan Nonprofit Association

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE C: ASSETS HELD BY COMMUNITY FOUNDATION

The Association has sponsored five endowment funds through Capital Region Community Foundation. The fair value of these funds totaled \$15,004,566 and \$14,386,367, as of June 30, 2010 and 2009, respectively. While Capital Region Community Foundation retains title over these funds, the Association receives an annual contribution from the earnings associated with these funds. For the year ended June 30, 2010 and 2009, contributions totaled \$474,601 and \$933,865, respectively, and were recorded as unrestricted contributions available for general operations.

NOTE D: NONCANCELLABLE OPERATING LEASE

The Association leases office space under a noncancellable operating lease that requires monthly payments ranging from \$3,206 to \$3,403 through June 30, 2014.

Future minimum lease payments on the lease are as follows:

<u>Year Ending</u> <u>June 30,</u>	
2011	\$ 38,477
2012	39,263
2013	40,048
2014	<u>40,833</u>
Total	<u>\$ 158,621</u>

Rental expense for the years ended June 30, 2010 and 2009 was \$141,533 and \$205,790, respectively.

NOTE E: RETIREMENT PLAN

All full time employees participate in the Association's defined contribution retirement plan. The Association contributes, annually, an amount equal to eight (8) percent of the participant's annual compensation. Retirement expenses totaled \$108,085 for the year ended June 30, 2010, and \$118,207 for the year ended June 30, 2009.

NOTE F: RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2010 consisted of the following:

Capacity Building	\$ 2,260,782
Detroit Office	10,912
General	36,823
Michigan Campus Compact	570,053
Michigan NOW!	79,100
Highway T	111,035
Public Affairs	56,047
Strategic Fund	214,526
Volunteer Centers of Michigan	<u>12,876</u>
Total	<u>\$ 3,352,154</u>

Michigan Nonprofit Association
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE F: RESTRICTED NET ASSETS - CONTINUED

Temporarily restricted net assets at June 30, 2009 consisted of the following:

Calhoun County Initiative	\$ 475,040
Capacity Building	11,605
Detroit Office	259,624
General	260,215
LEAGUE	1,603
Michigan Campus Compact	1,058,002
Michigan NOW!	146,318
Highway T	182,212
Public Affairs	169,843
Strategic Fund	358,555
Volunteer Centers of Michigan	<u>46,060</u>
Total	<u>\$ 2,969,077</u>

NOTE G: CONCENTRATION OF RISK

The Association's support and revenue is derived primarily from sources within Michigan. This geographical dependency creates a concentration of risk subject to Michigan's economic conditions.

The Association also has deposits held by financial institutions that are not federally insured because they exceed the insurance limits. As of June 30, 2010, the Association's uninsured deposits totaled \$969,693.

NOTE H: UNCERTAINTY IN INCOME TAXES

Federal tax law provides tax benefits to nonprofit organizations recognized as exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code (Code). The Code requires that tax-exempt organizations must comply with federal tax law to maintain tax-exempt status and avoid penalties.

As an exempt organization as described in Section 501(c)(3) of the Code that has been classified as other than a private foundation, Michigan Nonprofit Association is only subject to tax on unrelated business income as defined by Section 509(a)(1) of the Code. Michigan Nonprofit Association has no unrelated business income for the year ended June 30, 2010. Accordingly, a provision for income taxes has not been made on the financial statements.

The amount of income tax benefit that may be disallowed by the Internal Revenue Service (IRS), if any, cannot be determined at this time although Michigan Nonprofit Association expects such amounts, if any, to be immaterial.

Interest and/or penalties on an amount of income taxes deemed underpaid, if any, will be classified as income taxes in the financial statements. Michigan Nonprofit Association has not recognized any interest or penalties payable in the Statement of Financial Position as of June 30, 2010, or interest or penalties expense in the Statement of Activities for the year then ended.

Michigan Nonprofit Association is subject to IRS and state examinations for a period of at least three (3) years after the Form 990 has been filed.

SUPPLEMENTARY INFORMATION

Michigan Nonprofit Association

SCHEDULE OF FUNCTIONAL EXPENSES

Year Ended June 30, 2010

(With Comparative Totals for Year Ended June 30, 2009)

Expenses	Program Services						Supporting Services			2009 Comparative Total	
	Educational Services	Public Policy	Nonprofit Outreach	Public Grants	Volunteerism	Total Program Services	Administration	Fundraising	Total Supporting Services		Total
Compensation	\$ 412,642	\$ 138,215	\$ 237,409	\$ 391,771	\$ 591,060	\$ 1,771,097	\$ 163,245	\$ 16,623	\$ 179,868	\$ 1,950,965	\$ 2,099,981
Pension plan contributions	28,424	9,773	17,254	8,698	33,314	97,463	9,718	904	10,622	108,085	118,207
Other employee benefits	51,200	13,357	31,240	26,556	78,514	200,867	13,650	1,220	14,870	215,737	231,492
Payroll taxes	31,923	10,625	18,257	14,408	45,391	120,604	12,799	1,312	14,111	134,715	141,840
Accounting fees	10,437	1,449	4,033	6,953	6,213	29,085	7,582	989	8,571	37,656	26,384
Legal fees	8,030	53,690	2,379	5,948	4,461	74,508	6,840	892	7,732	82,240	53,741
Supplies	8,172	828	977	10,862	44,118	64,957	1,876	242	2,118	67,075	51,088
Telephone	6,382	604	1,864	3,022	4,242	16,114	3,869	453	4,322	20,436	37,935
Postage & shipping	10,806	8,329	18,235	11,212	4,593	53,175	1,926	247	2,173	55,348	60,387
Occupancy	40,641	6,021	12,042	30,104	22,578	111,386	34,620	4,516	39,136	150,522	214,864
Equipment rental	15,142	1,462	647	4,313	5,124	26,688	1,858	242	2,100	28,788	30,892
Printing & publications	34,114	13,997	62,891	35,984	26,531	173,517	3,140	364	3,504	177,021	129,914
Technology	105,203	2,638	42,547	13,314	9,274	172,976	13,688	1,762	15,450	188,426	95,683
Travel	26,514	5,127	7,041	85,985	62,711	187,378	6,412	637	7,049	194,427	183,671
Conferences & meetings	101,456	19,598	1,717	43,326	84,871	250,968	2,767	351	3,118	254,086	277,609
Contract services	187,864	177,750	68,304	315,473	73,975	823,366	24,720	2,718	27,438	850,804	595,755
Organizational dues	2,159	610	6,060	1,451	34,647	44,927	1,669	218	1,887	46,814	55,197
Staff/board development	1,474	512	3,219	3,759	1,058	10,022	467	32	499	10,521	22,441
Program grants	314,462	347,016	19,209	1,936,223	78,345	2,695,255	11,896	1,453	13,349	2,708,604	808,478
Miscellaneous	10,267	532	3,986	3,242	5,454	23,481	2,781	399	3,180	26,661	9,644
Total expenses before depreciation	1,407,312	812,133	559,311	2,952,604	1,216,474	6,947,834	325,523	35,574	361,097	7,308,931	5,245,203
Depreciation	2,263	1,306	899	4,747	1,956	11,171	800	57	857	12,028	10,386
	<u>\$ 1,409,575</u>	<u>\$ 813,439</u>	<u>\$ 560,210</u>	<u>\$ 2,957,351</u>	<u>\$ 1,218,430</u>	<u>\$ 6,959,005</u>	<u>\$ 326,323</u>	<u>\$ 35,631</u>	<u>\$ 361,954</u>	<u>\$ 7,320,959</u>	<u>\$ 5,255,589</u>

Michigan Nonprofit Association

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2010

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF EDUCATION		
Direct Programs		
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	\$ 98,757
College Access Challenge Grant Program	84.378	<u>123,651</u>
TOTAL U.S. DEPARTMENT OF EDUCATION		222,408
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Direct Programs		
Compassion Capital Fund ^(a)	93.009	566,457
ARRA - Strengthening Communities Fund ^(a)	93.711	<u>424,635</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		991,092
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE		
Direct Program		
Learn and Serve America - Higher Education	94.005	354,758
Passed through Michigan Department of Human Services	94.006	
Americorps		34,496
ARRA - Americorps		<u>8,277</u>
		<u>42,773</u>
TOTAL CORPORATION FOR NATIONAL AND COMMUNITY SERVICE		<u>397,531</u>
TOTAL FEDERAL AWARD EXPENDITURES		<u>\$ 1,611,031</u>

^(a) Denotes programs tested as "major programs"

Michigan Nonprofit Association

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2010

NOTE A: BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of Michigan Nonprofit Association and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*.

NOTE B: RECONCILIATION OF GRANT REVENUE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The following reconciles the total grant revenue reported in the June 30, 2010 financial statements of Michigan Nonprofit Association to the expenditures of federal awards reported on the Schedule of Expenditures of Federal Awards:

Total grant revenue	\$ 5,373,175
Less: State and local grants	<u>(3,762,144)</u>
Total federal award expenditures	<u>\$ 1,611,031</u>

Principals

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Michael T. Gaffney, CPA
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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
Michigan Nonprofit Association
Lansing, Michigan

We have audited the financial statements of Michigan Nonprofit Association as of and for the year ended June 30, 2010, and have issued our report thereon dated November 9, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Michigan Nonprofit Association's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Michigan Nonprofit Association's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Michigan Nonprofit Association's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as 2010-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Michigan Nonprofit Association's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Association's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Association's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

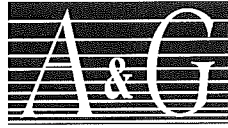
Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

November 9, 2010

Principals

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**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND
MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Directors
Michigan Nonprofit Association
Lansing, Michigan

Compliance

We have audited Michigan Nonprofit Association's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. Michigan Nonprofit Association's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Michigan Nonprofit Association's management. Our responsibility is to express an opinion on Michigan Nonprofit Association's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Michigan Nonprofit Association's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Michigan Nonprofit Association's compliance with those requirements.

In our opinion, Michigan Nonprofit Association complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

Management of Michigan Nonprofit Association is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Michigan Nonprofit Association's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Michigan Nonprofit Association's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirements of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

November 9, 2010

Michigan Nonprofit Association

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2010

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? X Yes No

Significant deficiencies identified that are not considered to be material weakness(es)? Yes X None reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes X No

Significant deficiencies identified that are not considered to be material weakness(es)? Yes X None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported with Section 501(a) of Circular A-133? Yes X No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
93.009	Compassion Capital Fund
93.711	ARRA - Strengthening Communities Fund

Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee? Yes X No

Section II - Financial Statement Findings

2010-1 MATERIAL JOURNAL ENTRIES PROPOSED BY AUDITORS

Condition: Material journal entries were proposed by the auditors to adjust beginning net assets and fixed assets. The journal entries were required to correct misstatements that caused the financial statements not to be fairly presented in accordance with generally accepted accounting principles. These misstatements were not detected by the Association's internal control over financial reporting.

Michigan Nonprofit Association

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2010

Section II - Financial Statement Findings - Continued

2010-1 MATERIAL JOURNAL ENTRIES PROPOSED BY AUDITORS - CONTINUED

Criteria: Management is responsible for establishing, maintaining, and monitoring internal controls, and for the fair presentation in the financial statements, including the notes to financial statements, in conformity with U.S. generally accepted accounting principles. Part of the responsibility for the fair presentation of the financial statements includes assuring that all material journal entries are recorded. The auditor cannot be a part of internal controls. A similar issue was noted and reported in our prior audit comments.

Cause: The Association's internal controls over financial reporting failed to identify these misstatements.

Effect: The financial statements of the Association were materially misstated prior to recording the material journal entries proposed during the audit process.

Recommendation: We recommend that the Association take steps to ensure that material journal entries are not necessary at the time future audit analysis is performed.

Corrective Action Response: The Association will set a policy in place to identify and correct any journal entries prior to the commencing of audit fieldwork.

Section III - Federal Award Findings and Questioned Costs

None noted.

Michigan Nonprofit Association
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2010

FINDINGS/NONCOMPLIANCE

Control Deficiencies and Material Weaknesses Related to Internal Controls Over the Financial Statements.

2009-1 MATERIAL JOURNAL ENTRIES PROPOSED BY AUDITORS

Condition: Material journal entries were proposed by the auditors to adjust beginning net assets and accrued liabilities. The journal entries were required to correct misstatements that caused the financial statements not to be fairly presented in accordance with generally accepted accounting principles. These misstatements were not detected by the Association's internal control over financial reporting.

Resolution: A similar issue was noted during the current audit and repeated in the schedule of findings and questioned costs. We do not consider this issue resolved.

Findings Related to Compliance with Requirements Applicable to the Financial Statements.

2009-2 WRITTEN PROCEDURES AND POLICIES

Condition: During the course of our audit, we noted that the Association had not formally adopted written procedures and policies for the following areas: an accounting policy and procedures manual, a fixed assets policy, an investment policy, a fraud risk management policy, a business continuation plan, or a record retention policy.

Resolution: The Association adopted and implemented these procedures and policies. This issue was not noted during the current audit and we considered this issue resolved.

Findings Related to Compliance with Requirements Applicable to Federal Awards and Internal Control Over Compliance in Accordance with OMB Circular A-133.

No prior audit findings noted.