

**Michigan Nonprofit Association
Lansing, Michigan**

FINANCIAL STATEMENTS

June 30, 2009

Michigan Nonprofit Association

TABLE OF CONTENTS

June 30, 2009

	<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	5-9
SUPPLEMENTARY INFORMATION	
Schedule of Functional Expenses	10
Schedule of Expenditures of Federal Awards	11
Notes to Schedule of Expenditures of Federal Awards	12
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>	13-14
REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	15-16
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	17-19
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS	20

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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, 2009, and the related statements of activities and cash flows for the year 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 audit. The prior year summarized financial information has been derived from the Organization's 2008 financial statements which were audited by other auditors and, in their report dated March November 20, 2008, they 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, 2009, 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 December 8, 2009, 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

December 8, 2009

FINANCIAL STATEMENTS

Michigan Nonprofit Association

STATEMENTS OF FINANCIAL POSITION

June 30, 2009

(With Comparative Totals for June 30, 2008)

	<u>2009</u>	<u>2008</u>
ASSETS		
Current assets		
Cash	\$ 1,996,994	\$ 1,311,136
Accounts receivable	49,567	1,101,432
Grants and pledges receivable	1,931,037	1,757,271
Prepaid expenses	<u>72,113</u>	<u>53,393</u>
Total current assets	4,049,711	4,223,232
Fixed assets, net of accumulated depreciation	<u>27,553</u>	<u>31,829</u>
TOTAL ASSETS	<u><u>\$ 4,077,264</u></u>	<u><u>\$ 4,255,061</u></u>
LIABILITIES		
Current liabilities		
Accounts payable	109,938	86,103
Accrued liabilities	84,271	37,963
Deferred revenue	158,086	24,460
Capital lease payable	<u>477</u>	<u>5,231</u>
Total current liabilities	352,772	153,757
NET ASSETS		
Unrestricted	755,415	908,456
Temporarily restricted	<u>2,969,077</u>	<u>3,192,848</u>
Total net assets	<u>3,724,492</u>	<u>4,101,304</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 4,077,264</u></u>	<u><u>\$ 4,255,061</u></u>

See accompanying notes to financial statements.

Michigan Nonprofit Association

STATEMENTS OF ACTIVITIES

Year Ended June 30, 2009
(With Comparative Totals for June 30, 2008)

	Unrestricted	Temporarily Restricted	Totals	
			2009	2008
SUPPORT AND REVENUE				
Grant revenue	\$ 13,769	\$ 2,766,240	\$ 2,780,009	\$ 2,187,450
Contributions	1,064,229	-	1,064,229	1,009,913
Membership dues	428,401	-	428,401	411,404
Program fees and sponsorship	677,581	-	677,581	865,368
Investment income	21,674	-	21,674	49,809
Miscellaneous income	50,381	-	50,381	37,828
Net assets released from restrictions	2,856,513	(2,856,513)	-0-	-
TOTAL SUPPORT AND REVENUE	5,112,548	(90,273)	5,022,275	4,561,772
EXPENSES				
Program services				
Educational services	674,510	-	674,510	805,860
Public policy	476,178	-	476,178	424,600
Nonprofit outreach	537,473	-	537,473	926,626
Public grants	1,317,316	-	1,317,316	896,737
Volunteerism	1,230,426	-	1,230,426	1,023,202
Total program services	4,235,903	-0-	4,235,903	4,077,025
Supporting services				
Administration	875,005	-	875,005	729,214
Fundraising	144,681	-	144,681	69,110
Total supporting services	1,019,686	-0-	1,019,686	798,324
TOTAL EXPENSES	5,255,589	-0-	5,255,589	4,875,349
CHANGE IN NET ASSETS	(143,041)	(90,273)	(233,314)	(313,577)
Restated net assets, beginning of year	898,456	3,059,350	3,957,806	2,575,627
Transfer of net assets from ConnectMichigan Alliance	-	-	-0-	1,839,254
Net assets, end of year	\$ 755,415	\$ 2,969,077	\$ 3,724,492	\$ 4,101,304

See accompanying notes to financial statements.

Michigan Nonprofit Association

STATEMENTS OF CASH FLOWS

Year Ended June 30, 2009
(With Comparative Totals for June 30, 2008)

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (233,314)	\$ (313,577)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	10,386	21,408
(Increase) decrease in accounts receivable	1,051,865	(1,051,014)
(Increase) decrease in grants and pledges receivable	(183,766)	77,729
(Increase) in prepaid expenses	(18,720)	(37,708)
Increase in accounts payable	23,835	63,776
Increase (decrease) in accrued liabilities	46,308	(26,413)
Increase in deferred revenue	128	11,035
	<u>696,722</u>	<u>(1,254,764)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(6,110)	(18,567)
Transfer of net assets from ConnectMichigan Alliance	-	1,839,254
	<u>(6,110)</u>	<u>1,820,687</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on capital lease payable	(4,754)	(7,815)
	<u>685,858</u>	<u>558,108</u>
NET INCREASE IN CASH		
Cash, beginning of year	<u>1,311,136</u>	<u>753,028</u>
Cash, end of year	<u>\$ 1,996,994</u>	<u>\$ 1,311,136</u>

See accompanying notes to financial statements.

Michigan Nonprofit Association
NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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 GAAP.

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

Fixed Assets - The Association does not currently have a formal written policy related to the capitalization of fixed assets. In practice, equipment acquired by the Association is stated at cost with items capitalized at a unit cost of \$2,500 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 cost of normal maintenance that does not add to the value of assets or materially extend the asset lives is 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, 2009

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, 2009 or 2008, 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 December 8, 2009, 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, 2009:

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009
Furniture and equipment	\$ 197,698	\$ 6,110	\$ -	\$ 203,808
Less: accumulated depreciation	(165,869)	(10,386)	-	(176,255)
	<u>\$ 31,829</u>	<u>\$(4,276)</u>	<u>\$ -0-</u>	<u>\$ 27,553</u>

Michigan Nonprofit Association
 NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE C: ASSETS HELD BY COMMUNITY FOUNDATION

The Association has sponsored four endowment funds through Capital Region Community Foundation. The fair value of these funds totaled \$14,381,219 and \$19,350,125, as of June 30, 2009 and 2008, 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, 2009 and 2008, contributions totaled \$933,865 and \$969,681, respectively, and were recorded as unrestricted contributions available for general operations.

NOTE D: CAPITAL LEASE PAYABLE

The Association leases office equipment under the terms of a capital lease which requires monthly payments of \$431.

Future minimum lease payments on the lease are as follows:

<u>Year Ending June 30,</u>		
2010	\$	506
Less: amount representing interest	(<u>29</u>)
Capital lease payable	\$	<u>477</u>

NOTE E: NONCANCELLABLE OPERATING LEASE

The Association leases office space under a noncancellable operating lease that requires monthly payments ranging from \$3,141 to \$3,403 through June 30, 2014.

Future minimum lease payments on the lease are as follows:

<u>Year Ending June 30,</u>		
2010	\$	34,551
2011		38,477
2012		39,263
2013		40,048
2014		<u>40,833</u>
Total	\$	<u>193,172</u>

Rental expense for the years ended June 30, 2009 and 2008 was \$205,790 and \$207,296, respectively.

NOTE F: 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 \$118,207 for the year ended June 30, 2009 and \$134,718 for the year ended June 30, 2008.

Michigan Nonprofit Association
NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE G: RESTRICTED NET ASSETS

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
NPower	182,212
Public Affairs	169,843
Strategic Fund	358,555
Volunteer Centers of Michigan	<u>46,060</u>
Total	<u>\$ 2,969,077</u>

Temporarily restricted net assets at June 30, 2008 (as restated) consisted of the following:

Calhoun County Initiative	\$ 821,351
Detroit Office	657,931
LEAGUE	61,901
Michigan Campus Compact	480,917
Michigan NOW!	236,832
NPower	121,363
Public Affairs	85,954
Strategic Fund	476,713
Volunteer Centers of Michigan	<u>116,388</u>
Total	<u>\$ 3,059,350</u>

NOTE H: RESTATEMENT OF NET ASSETS

Beginning net assets were restated to recognize understated deferred revenue and correct overstated grants receivable as of June 30, 2008. Deferred revenue had been understated by \$133,498 and grants receivable had been overstated by \$10,000. Accordingly, beginning net assets were decreased by \$143,498.

NOTE I: MERGER

Effective July 1, 2007, a merger between the Association and ConnectMichigan Alliance (the Alliance), a Michigan nonprofit corporation, was approved. Since that date, the Association has assumed the operations of the Alliance. The net assets of the Alliance, totaling \$1,839,254 were transferred to the Association during the year ended June 30, 2008.

NOTE J: 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, 2009, the Association's uninsured deposits totaled \$1,471,679.

Michigan Nonprofit Association

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE K: RECENT ACCOUNTING PRONOUNCEMENTS

In July 2006, the FASB issued Financial Interpretation No. 48, *Accounting for Uncertainty in Income Taxes - An Interpretation of FASB Statement No. 109* (FIN 48), which is a change in accounting for income taxes. FIN 48 specifies how tax benefits for uncertain tax positions are to be measured and recognized in financial statements; requires certain disclosures of uncertain tax matters; specifies how reserves for uncertain tax positions should be classified on the statement of financial position; and provides transition and interim period guidance, among other provisions.

FIN 48 was initially effective for fiscal years beginning after December 15, 2006, but the effective date has been deferred twice by FASB Staff Positions (FSP). FSP FIN 48-3 deferred the effective date for certain nonpublic entities, including nonprofit entities, until years beginning after December 15, 2008. Management is currently evaluating the impact of FIN 48, but does not anticipate the adoption of FIN 48 to have a material impact on its financial position, change in net assets, and cash flows.

NOTE L: UNCERTAINTY IN INCOME TAXES

The Association has deferred the implementation of Financial Interpretation No. 48, *Accounting for Uncertainty in Income Taxes - An Interpretation of FASB Statement No. 109* (FIN 48). Until FIN 48 is implemented, the Association will follow the provisions included FASB Statement No. 5 when evaluating uncertain tax positions.

SUPPLEMENTARY INFORMATION

Michigan Nonprofit Association

SCHEDULE OF FUNCTIONAL EXPENSES

Year Ended June 30, 2009
(With Comparative Totals for June 30, 2008)

Expenses	Program Services						Supporting Services			2008	
	Educational Services	Public Policy	Nonprofit Outreach	Public Grants	Volunteerism	Total Program Services	Administration	Fundraising	Total Supporting Services	Total	Comparative Total
Compensation	\$ 160,573	\$ 201,808	\$ 271,051	\$ 420,062	\$ 576,536	\$ 1,630,030	\$ 404,779	\$ 65,172	\$ 489,951	\$ 2,099,981	\$ 1,943,259
Pension plan contributions	19,429	14,146	15,773	3,756	35,575	88,679	25,434	4,094	29,528	118,207	134,718
Other employee benefits	28,867	13,375	33,989	36,054	65,272	177,557	46,458	7,477	53,935	231,492	208,626
Payroll taxes	25,116	14,277	19,931	8,370	43,376	111,070	26,513	4,257	30,770	141,840	154,874
Accounting fees	3,409	811	2,368	2,577	3,422	12,587	11,893	1,904	13,797	26,384	30,303
Legal fees	574	48,172	287	517	517	50,067	3,157	517	3,674	53,741	1,533
Supplies	5,859	4,839	1,553	15,041	17,925	45,217	5,046	825	5,871	51,088	115,074
Telephone	5,487	1,840	2,173	2,989	4,907	17,396	17,662	2,877	20,539	37,935	19,024
Postage & shipping	9,099	15,618	19,978	4,932	6,615	56,242	3,556	589	4,145	60,387	75,308
Occupancy	21,486	6,446	10,743	19,338	19,338	77,351	118,175	19,338	137,513	214,864	220,451
Equipment rental	19,470	1,289	293	3,198	2,888	27,138	3,226	528	3,754	30,892	13,916
Printing & publications	13,636	19,585	45,811	10,919	31,052	121,003	7,660	1,251	8,911	129,914	79,528
Technology	10,702	4,077	5,524	14,735	8,436	43,474	44,873	7,336	52,209	95,683	75,275
Travel	26,961	8,948	8,240	53,756	68,600	166,505	14,630	2,536	17,166	183,671	168,446
Conferences & meetings	116,404	17,709	2,604	47,633	80,156	264,506	11,231	1,872	13,103	277,509	173,095
Contract services	138,823	84,793	58,421	81,577	94,659	458,273	116,006	21,476	137,482	595,755	591,160
Organizational dues	702	1,408	6,562	516	42,832	52,020	2,731	446	3,177	55,197	58,988
Staff/board development	4,236	1,955	5,259	3,189	4,611	19,250	2,765	426	3,191	22,441	32,726
Program grants	61,583	13,828	25,421	583,947	118,142	802,921	4,804	753	5,557	808,478	742,207
Miscellaneous	761	313	430	1,607	3,135	6,246	2,677	721	3,398	9,644	15,450
Total expenses before depreciation	673,177	475,237	536,411	1,314,713	1,227,994	4,227,532	873,276	144,395	1,017,671	5,245,203	4,853,941
Depreciation	1,333	941	1,062	2,603	2,432	8,371	1,729	286	2,015	10,386	21,408
	\$ 674,510	\$ 476,178	\$ 537,473	\$ 1,317,316	\$ 1,230,426	\$ 4,235,903	\$ 875,005	\$ 144,681	\$ 1,019,686	\$ 5,255,589	\$ 4,875,349

Michigan Nonprofit Association

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2009

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Direct Program		
Compassion Capital Fund ^(a)	93.009	\$ 586,192
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE		
Direct Program		
Learn and Serve America - Higher Education ^(a)	94.005	337,186
Passed through Michigan Department of Human Services		
Americorps	94.006	52,760
Passed through the Points of Light Institute (a nonprofit corporation)		
Planning and Program Development Grants	94.007	3,940
Direct Program		
Volunteers in Service to America	94.013	<u>204,327</u>
TOTAL CORPORATION FOR NATIONAL AND COMMUNITY SERVICE		<u>598,213</u>
TOTAL FEDERAL AWARD EXPENDITURES		<u>\$ 1,184,405</u>

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

Michigan Nonprofit Association

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2009

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, 2009 financial statements of Michigan Nonprofit Association to the expenditures of federal awards reported on the Schedule of Expenditures of Federal Awards:

Total grant revenue	\$ 2,780,009
Less: State and local grants	<u>(1,595,604)</u>
Total federal award expenditures	<u>\$ 1,184,405</u>

Principals

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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, 2009, and have issued our report thereon dated December 8, 2009. 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.

A *control deficiency* 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 misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control. We consider the deficiency described as 2009-1 in the accompanying schedule of findings and questioned costs to be a significant deficiency in internal control over financial reporting.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We believe that the significant deficiency described in the schedule of findings and questioned costs as finding 2009-1 is 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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as finding 2009-2.

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

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

December 8, 2009

Principals

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Michael T. Gaffney, CPA
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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO 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 the compliance of Michigan Nonprofit Association with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. 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, *Audits of States, Local Governments, and Non-Profit Organizations*. 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 requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The 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 in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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

December 8, 2009

Michigan Nonprofit Association
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2009

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? Yes No

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

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes No

Significant deficiencies identified that are not considered to be material weakness(es)? Yes 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 No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
93.009	Compassion Capital Fund
94.005	Learn and Serve America

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

Auditee qualified as low-risk auditee? Yes No

Section II - Financial Statement Findings

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.

Michigan Nonprofit Association

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2009

Section II - Financial Statement Findings - Continued

2009-1 MATERIAL JOURNAL ENTRIES PROPOSED BY AUDITORS - CONTINUED

Criteria: Statement on Auditing Standards No. 112 (SAS 112), *Communicating Internal Control Related Matters Identified in an Audit*, emphasizes that management is responsible for establishing, maintaining, and monitoring internal controls, and for the fair presentation in the financial statements of financial position, results of operations, and cash flows (when applicable), including the notes to financial statements, in conformity with U.S. generally accepted accounting principles. Responsibility for the financial statements of the Organization rests with the Organization's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal accounting records), and (2) reporting government-wide and fund financial statements, including the related note disclosures (i.e., external financial reporting). The auditor cannot be a part of internal controls.

Effect: Through the identification of material journal entries that were not otherwise identified by management, the auditors are effectively part of the Association's internal controls.

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 work toward having all material journal entries completed before audit fieldwork commences in the future.

2009-2 WRITTEN PROCEDURES AND POLICIES

Condition: During the course of our audit, we noted that the Association has 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.

Criteria: Documenting specific policies and procedures allows employees to have a clearer understanding of management's expectations. Specific policies and procedures would also allow the Association the opportunity to enhance the internal controls of the organization.

Effect: Accounting is an essential function of the Association. The Association may have greater risk to this function being performed improperly if the related policies and procedures are not documented. The Association may have greater risk with fixed assets if a fixed asset policy is not adopted. An investment policy would provide the management with documented objectives relative to safety, liquidity, and yield for the Association's investments, as well as documented standards of care while acting as stewards for the Association. Also, due to the Association not developing a fraud risk management policy that would include a monitoring program it is unable to assess the Association's vulnerabilities to fraudulent activity and whether any of those exposures could result in material misstatement of financial statements. By not having a business continuation plan in place, the Association has no formal plan in place if critical business processes were interrupted. The Association may also have greater risk of inadvertently destroying sensitive or permanent records if a records retention policy is not documented.

Recommendation: We recommend that the Association adopt and implement an accounting procedures manual which will describe and explain accounting duties. We also recommend adoption of a fixed asset policy which would define a capitalization threshold and methods for acquiring and disposing of fixed assets. We further recommend the Association develop and adopt a fraud risk management policy which would include policies and procedures on ways for management to prevent, detect and deter fraudulent activities. An investment policy should also be drafted and adopted by the Association describing the Association's investment objectives and standards of care related to investments. We also recommend the Association adopt a business continuation plan for purposes of documenting how the Association would respond if critical business processes were interrupted and a records retention policy to document guidelines for how long information specific types of information will be retained by the Association.

Michigan Nonprofit Association
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2009

Section II - Financial Statement Findings - Continued

2009-2 WRITTEN PROCEDURES AND POLICIES - CONTINUED

Corrective Action Response: The Association will work to create and approve all the necessary policies and procedures to assist the Association to operate more effectively and efficiently.

Section III - Federal Award Findings and Questioned Costs

None noted.

Michigan Nonprofit Association
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2009

There were no findings disclosed for the past two years.