

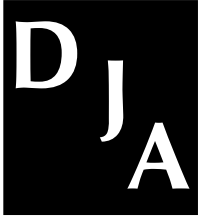
MICHIGAN NONPROFIT ASSOCIATION

Financial Statements
and
Independent Auditor's Report

Year ended June 30, 2006

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Independent Auditor's Report

The Board of Directors
Michigan Nonprofit Association
Lansing, Michigan

I have audited the accompanying statement of financial position of Michigan Nonprofit Association as of June 30, 2006, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with audit standards generally accepted in the United States of America. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Michigan Nonprofit Association as of June 30, 2006, and the results of its activities and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

David J. Ambrose, CPA
Certified Public Accountant

November 13, 2006
Lansing, Michigan

MICHIGAN NONPROFIT ASSOCIATION
Statement of Financial Position
June 30, 2006

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>2005 Comparative Total</u>
<u>Assets</u>				
Cash and equivalents	\$ 111,807	\$ 761,812	\$ 873,619	\$ 334,087
Accounts receivable	45,437	-	45,437	89,871
Grants & pledges receivable	24,212	1,112,500	1,136,712	-
Prepaid expenses	28,425	-	28,425	6,979
Furniture and Equipment:				
Furniture and office equipment	154,340	-	154,340	124,781
Less accumulated depreciation	<u>111,808</u>	<u>-</u>	<u>111,808</u>	<u>94,332</u>
Net Furniture and Equipment	<u>42,532</u>	<u>-</u>	<u>42,532</u>	<u>30,449</u>
 Total Assets	 <u>\$ 252,413</u>	 <u>\$ 1,874,312</u>	 <u>\$ 2,126,725</u>	 <u>\$ 461,386</u>
 <u>Liabilities and Net Assets</u>				
Liabilities:				
Accounts payable	\$ 130,643	\$ -	\$ 130,643	\$ 124,279
Accrued payroll and vacation payable	33,742	-	33,742	35,003
Deferred revenue	6,550	-	6,550	28,750
Capital leases payable	<u>21,566</u>	<u>-</u>	<u>21,566</u>	<u>-</u>
Total Liabilities	192,501	-	192,501	188,032
Net Assets:				
Unrestricted	59,912	-	59,912	78,158
Temporarily restricted	<u>-</u>	<u>1,874,312</u>	<u>1,874,312</u>	<u>195,196</u>
Total Net Assets	<u>59,912</u>	<u>1,874,312</u>	<u>1,934,224</u>	<u>273,354</u>
 Total Liabilities and Net Assets	 <u>\$ 252,413</u>	 <u>\$ 1,874,312</u>	 <u>\$ 2,126,725</u>	 <u>\$ 461,386</u>

See accompanying notes to financial statements.

MICHIGAN NONPROFIT ASSOCIATION
Statement of Activities
Year ended June 30, 2006

	Unrestricted	Temporarily Restricted	Total	2005 Comparative Total
Contributions, Revenues and Gains:				
Grant allocations	\$ -	\$ 2,439,023	\$ 2,439,023	\$ 588,680
Contributions	9,705	-	9,705	8,222
In-kind contributions	100,520	-	100,520	100,520
Membership dues	-	179,367	179,367	167,534
Program fees, consulting and sponsorship	418,638	-	418,638	478,649
Investment income	10,714	-	10,714	1,822
Miscellaneous income	13,880	-	13,880	13,070
Net assets released from restrictions:				
Time restrictions expired	165,692	(165,692)	-	-
Program restrictions satisfied	773,582	(773,582)	-	-
Total Contributions, Revenues and Gains	1,492,731	1,679,116	3,171,847	1,358,497
Expenses:				
Program Services:				
Educational Services	539,152	-	539,152	386,328
Public Policy	293,271	-	293,271	218,403
Nonprofit Outreach	394,229	-	394,229	327,197
Volunteerism	114,625	-	114,625	155,106
Total Program Services	1,341,277	-	1,341,277	1,087,034
Supporting Services:				
Administration	105,691	-	105,691	140,345
Fundraising	64,009	-	64,009	86,769
Total Supporting Services	169,700	-	169,700	227,114
Total Expenses	1,510,977	-	1,510,977	1,314,148
Increase (decrease) in net assets	(18,246)	1,679,116	1,660,870	44,349
Net Assets, beginning of period	78,158	195,196	273,354	229,005
Net Assets, end of period	\$ 59,912	\$ 1,874,312	\$ 1,934,224	\$ 273,354

See accompanying notes to financial statements.

MICHIGAN NONPROFIT ASSOCIATION
Statement of Functional Expenses
Year ended June 30, 2006

	Program Services					Supporting Services			2005	
	Educational Services	Public Policy	Nonprofit Outreach	Volunteerism	Total	Administration	Fundraising	Total	Total	Comparative Total
Expenses:										
Compensation	\$ 232,609	\$ 128,138	\$ 159,739	\$ 62,548	\$ 583,034	\$ 53,853	\$ 35,071	\$ 88,924	\$ 671,958	\$ 595,519
Pension plan contributions	16,000	9,602	12,488	4,516	42,606	3,888	2,532	6,420	49,026	45,013
Other employee benefits	17,974	15,174	22,931	7,660	63,739	6,596	4,295	10,891	74,630	75,042
Payroll taxes	18,475	10,140	12,276	4,639	45,530	3,994	2,601	6,595	52,125	46,493
Accounting fees	1,536	1,132	1,985	1,351	6,004	1,163	758	1,921	7,925	7,530
Legal fees	1,687	-	240	-	1,927	-	-	-	1,927	-
Supplies	8,194	977	2,229	846	12,246	729	474	1,203	13,449	18,186
Telephone	389	800	2,555	274	4,018	236	153	389	4,407	2,980
Postage and shipping	14,189	4,293	11,325	417	30,224	354	230	584	30,808	25,996
Occupancy	11,870	9,117	15,351	10,448	46,786	8,996	5,858	14,854	61,640	61,580
Equipment rental & maintenance	11,632	6,872	12,830	7,851	39,185	6,760	4,402	11,162	50,347	11,644
Printing & publications	26,795	9,467	54,555	1,251	92,068	988	643	1,631	93,699	88,933
Travel	16,564	10,235	5,379	2,480	34,658	2,099	1,367	3,466	38,124	21,994
Conferences & meetings	105,666	14,191	1,334	761	121,952	625	407	1,032	122,984	141,923
Contract services	43,438	26,621	67,861	2,772	140,692	2,387	1,554	3,941	144,633	126,325
Organization dues	3,190	1,537	2,545	1,488	8,760	1,281	834	2,115	10,875	7,195
Staff/Board development	4,577	4,070	3,998	2,186	14,831	1,644	1,070	2,714	17,545	9,195
Program grants	120	38,277	-	-	38,397	1,000	-	1,000	39,397	8,240
Miscellaneous	862	131	230	157	1,380	6,533	89	6,622	8,002	7,584
Total expenses before depreciation	535,767	290,774	389,851	111,645	1,328,037	103,126	62,338	165,464	1,493,501	1,301,372
Depreciation expense	3,385	2,497	4,378	2,980	13,240	2,565	1,671	4,236	17,476	12,776
	<u>\$ 539,152</u>	<u>\$ 293,271</u>	<u>\$ 394,229</u>	<u>\$ 114,625</u>	<u>\$ 1,341,277</u>	<u>\$ 105,691</u>	<u>\$ 64,009</u>	<u>\$ 169,700</u>	<u>\$ 1,510,977</u>	<u>\$ 1,314,148</u>

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See accompanying notes to financial statements.

MICHIGAN NONPROFIT ASSOCIATION

Statement of Cash Flows

Year ended June 30, 2006

	<u>2006</u>	<u>2005 Comparative Total</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 1,660,870	\$ 44,349
Adjustment to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	17,476	12,776
(Increase) decrease in operating assets:		
Accounts receivable	44,434	7,612
Grants receivable	(1,136,712)	40,000
Prepaid expenses	(21,446)	11,168
Increase (decrease) in operating liabilities:		
Accounts payable	6,364	103,536
Accrued payroll and vacation	(1,261)	6,690
Deferred revenue	(22,200)	19,350
Net cash provided by operating activities	<u>547,525</u>	<u>245,481</u>
 Cash flows from investing activities:		
Purchase of fixed assets	(29,559)	(2,140)
 Cash flows from financing activities:		
Lease contracts executed	29,559	-
Payment on capital lease payable	(7,993)	-
Net cash provided by financing activities	<u>21,566</u>	<u>-</u>
 Net increase (decrease) in cash	539,532	243,341
 Cash and equivalents, beginning of period	<u>334,087</u>	<u>90,746</u>
 Cash and equivalents, end of period	<u>\$ 873,619</u>	<u>\$ 334,087</u>

See accompanying notes to financial statements.

MICHIGAN NONPROFIT ASSOCIATION
Notes to Financial Statements, Continued
Year ended June 30, 2006

1. Organization

Michigan Nonprofit Association (the "Association") is a nonprofit corporation organized to enhance the effectiveness of the Michigan nonprofit sector in serving society.

Programs of the Association are divided into four categories: Educational Services - MNA 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; and Volunteerism – the Association has a strong commitment to volunteerism and is working with ConnectMichigan Alliance to strengthen the infrastructure of volunteerism and service learning in the state.

2. Summary of Significant Accounting Policies

The following is a summary of the significant generally accepted accounting policies followed in the preparation of the financial statements.

(A) Financial Statement Presentation

Michigan Nonprofit Association has adopted Statement of Financial Accounting Standards (SFAS) No. 117 "Financial Statements of Not-for-profit Organizations." Under SFAS No. 117, the Association is required 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. In addition, the Association is required to present a statement of cash flows.

(B) Contributions

The Association has adopted SFAS No. 116 "Accounting for Contributions Received and Contributions Made." In accordance with SFAS No. 116, contributions received are considered to be available for the general programs of the Association. The Association reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor restricted contributions, where the restrictions are met in the same reporting period are booked in the unrestricted class of net assets.

MICHIGAN NONPROFIT ASSOCIATION
Notes to Financial Statements, Continued
Year ended June 30, 2006

2. Summary of Significant Accounting Policies, (continued)

(C) Donated Services

The Association records amounts for donated services when those services create or enhance non-financial assets or require specialized skills provided by individuals possessing those skills and which would be typically purchased if not provided by donation.

(D) Furniture and Equipment

Furniture and equipment is recorded at cost, except for donated assets which are recorded at their estimated fair market value as of the date of receipt. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets.

(E) 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.

(F) 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.

(G) Cash and equivalents

For purposes of the statement of cash flows, the Association considers all highly liquid deposits with an initial maturity of three months or less to be cash equivalents.

(H) Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires the use of management estimates.

3. Types of Restrictions

Temporarily restricted net assets at June 30, 2006 consist of the following:

Available for:

Strategic Fund	\$ 886,250
Michigan Public Policy Initiative	68,555
Detroit Office	820,535
Time restrictions on member dues	<u>98,972</u>
Total	\$ <u>1,874,312</u>

MICHIGAN NONPROFIT ASSOCIATION
Notes to Financial Statements, Continued
Year ended June 30, 2006

4. Defined Contribution Retirement Plan

All full time employees participate in the Association's defined contribution retirement plan. The Association contributes, annually, an amount equal to eight percent of the participant's annual compensation. Retirement expense totaled \$49,026 for the year ended June 30, 2006.

5. In-Kind Contributions

During the year, the Association received the benefit of donated services and facilities. An estimate of the fair market value of these donations has been reflected in the financial statements as In-kind Contributions. Corresponding expenses for contracted services totaling \$39,874 and occupancy totaling \$60,646 are also reflected.

6. Leases

The Association leases office equipment under the terms of operating leases which will expire during the fiscal year ending June 30, 2008. Rent expense for the year ended June 30, 2006 totaled \$1,080. Future payments required under the terms of the leases are as follows: Year ending June 30: 2007 - \$1,080, and 2008 - \$180.

The Association leases office equipment under the terms of capital leases which require monthly payments of \$929. Terms of the contracts are as follows:

Year ending June 30:	
2007	\$ 11,148
2008	9,657
2009	5,172
2010	431
less amounts representing interest	<u>(4,842)</u>
Capital leases payable	<u>\$ 21,566</u>