

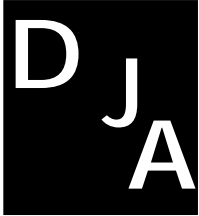
MICHIGAN NONPROFIT ASSOCIATION

Financial Statements  
and  
Independent Auditor's Report

Year ended June 30, 2007

## CONTENTS

Independent Auditor's Report .....	1
Statement of Financial Position .....	2
Statement of Activities.....	3
Statement of Functional Expenses .....	4
Statement of Cash Flows .....	5
Notes to Financial Statements.....	6 - 8



David J. Ambrose, CPA  
Certified Public Accountant  
836 Centennial Way, Suite 110  
Lansing, MI 48917  
(517) 319-1040 • Fax (517) 319-1043

---

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, 2007, 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, 2007, 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*

Certified Public Accountant

February 4, 2008  
Lansing, Michigan

MICHIGAN NONPROFIT ASSOCIATION  
Statement of Financial Position  
June 30, 2007, with comparative totals for 2006

			Totals	
<u>Assets</u>	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>2007</u>	<u>2006</u>
Cash and equivalents	\$ (115,251)	\$ 868,279	\$ 753,028	\$ 873,619
Accounts receivable	50,418	-	50,418	45,437
Grants & pledges receivable	50,000	1,785,000	1,835,000	1,136,712
Prepaid expenses	15,685	-	15,685	28,425
Furniture and Equipment:				
Furniture and office equipment	151,177	-	151,177	154,340
Less accumulated depreciation	116,507	-	116,507	111,808
Net Furniture and Equipment	<u>34,670</u>	<u>-</u>	<u>34,670</u>	<u>42,532</u>
 Total Assets	 <u>\$ 35,522</u>	 <u>\$ 2,653,279</u>	 <u>\$ 2,688,801</u>	 <u>\$ 2,126,725</u>
 <u>Liabilities and Net Assets</u>				
Liabilities:				
Accounts payable	\$ 22,327	\$ -	\$ 22,327	\$ 130,643
Accrued payroll and vacation payable	64,376	-	64,376	33,742
Deferred revenue	13,425	-	13,425	6,550
Capital leases payable	13,046	-	13,046	21,566
Total Liabilities	<u>113,174</u>	<u>-</u>	<u>113,174</u>	<u>192,501</u>
Net Assets:				
Unrestricted	(77,652)	-	(77,652)	59,912
Temporarily restricted	<u>-</u>	<u>2,653,279</u>	<u>2,653,279</u>	<u>1,874,312</u>
Total Net Assets	<u>(77,652)</u>	<u>2,653,279</u>	<u>2,575,627</u>	<u>1,934,224</u>
 Total Liabilities and Net Assets	 <u>\$ 35,522</u>	 <u>\$ 2,653,279</u>	 <u>\$ 2,688,801</u>	 <u>\$ 2,126,725</u>

See accompanying notes to financial statements.

MICHIGAN NONPROFIT ASSOCIATION  
Statement of Activities  
Year ended June 30, 2007, with comparative totals for 2006

			Totals	
	Unrestricted	Temporarily Restricted	2007	2006
<b>Contributions, Revenues and Gains:</b>				
Grant allocations	\$ -	\$ 2,097,252	\$ 2,097,252	\$ 2,439,023
Contributions	34,005	-	34,005	9,705
In-kind contributions	90,646	-	90,646	100,520
Membership dues	-	242,650	242,650	179,367
Program fees, consulting and sponsorship	432,933	-	432,933	418,638
Investment income	34,023	-	34,023	10,714
Miscellaneous income	26,529	-	26,529	13,880
<b>Net assets released from restrictions:</b>				
Time restrictions expired	224,596	(224,596)	-	-
Program restrictions satisfied	1,336,339	(1,336,339)	-	-
<b>Total Contributions, Revenues and Gains</b>	<u>2,179,070</u>	<u>778,967</u>	<u>2,958,037</u>	<u>3,171,847</u>
<b>Expenses:</b>				
<b>Program Services:</b>				
Educational Services	949,718	-	949,718	539,152
Public Policy	375,068	-	375,068	293,271
Nonprofit Outreach	601,138	-	601,138	394,229
Volunteerism	153,270	-	153,270	114,625
<b>Total Program Services</b>	<u>2,079,194</u>	<u>-</u>	<u>2,079,194</u>	<u>1,341,277</u>
<b>Supporting Services:</b>				
Administration	151,509	-	151,509	105,691
Fundraising	85,931	-	85,931	64,009
<b>Total Supporting Services</b>	<u>237,440</u>	<u>-</u>	<u>237,440</u>	<u>169,700</u>
<b>Total Expenses</b>	<u>2,316,634</u>	<u>-</u>	<u>2,316,634</u>	<u>1,510,977</u>
<b>Increase (decrease) in net assets</b>	<b>(137,564)</b>	<b>778,967</b>	<b>641,403</b>	<b>1,660,870</b>
<b>Net Assets, beginning of period</b>	<u>59,912</u>	<u>1,874,312</u>	<u>1,934,224</u>	<u>273,354</u>
<b>Net Assets, end of period</b>	<u>\$ (77,652)</u>	<u>\$ 2,653,279</u>	<u>\$ 2,575,627</u>	<u>\$ 1,934,224</u>

See accompanying notes to financial statements.

MICHIGAN NONPROFIT ASSOCIATION  
Statement of Functional Expenses  
Year ended June 30, 2007, with comparative totals for 2006

	Program Services					Supporting Services			Totals	
	Educational Services	Public Policy	Nonprofit Outreach	Volunteerism	Total	Administration	Fundraising	Total	2007	2006
Expenses:										
Compensation	\$ 490,169	\$ 145,201	\$ 199,918	\$ 67,876	\$ 903,164	\$ 58,441	\$ 38,058	\$ 96,499	\$ 999,663	\$ 671,958
Pension plan contributions	24,919	10,862	14,397	4,213	54,391	5,547	2,362	7,909	62,300	49,026
Other employee benefits	33,871	17,526	33,659	9,020	94,076	7,797	5,058	12,855	106,931	74,630
Payroll taxes	26,932	13,314	18,576	6,691	65,513	5,761	3,751	9,512	75,025	52,125
Accounting fees	5,860	4,323	7,578	5,158	22,919	4,441	2,892	7,333	30,252	7,925
Legal fees	933	17,613	1,206	821	20,573	707	460	1,167	21,740	1,927
Supplies	9,956	3,131	4,244	1,708	19,039	1,506	958	2,464	21,503	13,449
Telephone	2,693	658	1,778	215	5,344	185	120	305	5,649	4,407
Postage and shipping	8,499	8,397	18,909	366	36,171	3,521	205	3,726	39,897	30,808
Occupancy	59,634	15,965	27,560	18,691	121,850	16,093	10,480	26,573	148,423	61,640
Equipment rental & maintenance	15,454	5,548	13,302	4,212	38,516	8,247	2,362	10,609	49,125	50,347
Printing & publications	26,317	18,364	39,529	3,248	87,458	2,806	1,814	4,620	92,078	93,699
Travel	31,680	9,364	7,606	2,961	51,611	2,565	1,660	4,225	55,836	38,124
Conferences & meetings	121,249	12,140	11,750	2,081	147,220	1,809	1,167	2,976	150,196	122,984
Contract services	74,410	32,253	183,306	17,749	307,718	15,282	9,951	25,233	332,951	144,633
Organization dues	2,899	2,134	7,700	2,499	15,232	2,152	1,401	3,553	18,785	10,875
Staff/Board development	7,883	3,334	2,875	1,681	15,773	1,513	943	2,456	18,229	17,545
Program grants	1,135	51,521	1,250	-	53,906	2,075	-	2,075	55,981	39,397
Miscellaneous	2,167	1,164	2,041	1,389	6,761	8,744	780	9,524	16,285	8,002
Total expenses before depreciation	946,660	372,812	597,184	150,579	2,067,235	149,192	84,422	233,614	2,300,849	1,493,501
Depreciation expense	3,058	2,256	3,954	2,691	11,959	2,317	1,509	3,826	15,785	17,476
	<u>\$ 949,718</u>	<u>\$ 375,068</u>	<u>\$ 601,138</u>	<u>\$ 153,270</u>	<u>\$ 2,079,194</u>	<u>\$ 151,509</u>	<u>\$ 85,931</u>	<u>\$ 237,440</u>	<u>\$ 2,316,634</u>	<u>\$ 1,510,977</u>

4

See accompanying notes to financial statements.

MICHIGAN NONPROFIT ASSOCIATION  
Statement of Cash Flows  
Year ended June 30, 2007, with comparative total for 2006

	2007	2006
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 641,403	\$ 1,660,870
Adjustment to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	15,785	17,476
(Increase) decrease in operating assets:		
Accounts receivable	(4,981)	44,434
Grants receivable	(698,288)	(1,136,712)
Prepaid expenses	12,740	(21,446)
Increase (decrease) in operating liabilities:		
Accounts payable	(108,316)	6,364
Accrued payroll and vacation	30,634	(1,261)
Deferred revenue	6,875	(22,200)
Net cash provided by operating activities	(104,148)	547,525
 Cash flows from investing activities:		
Purchase of fixed assets	(7,923)	(29,559)
 Cash flows from financing activities:		
Lease contracts executed	-	29,559
Payment on capital lease payable	(8,520)	(7,993)
Net cash provided by financing activities	(8,520)	21,566
 Net increase (decrease) in cash	(120,591)	539,532
 Cash and equivalents, beginning of period	873,619	334,087
 Cash and equivalents, end of period	\$ 753,028	\$ 873,619

See accompanying notes to financial statements.

MICHIGAN NONPROFIT ASSOCIATION  
Notes to Financial Statements  
Year ended June 30, 2007

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  
Year ended June 30, 2007

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, 2007 consist of the following:

Available for:

Strategic Fund	\$ 663,750
Michigan Public Policy Initiative	38,983
Detroit Office	502,689
Calhoun County Initiative	1,330,831
Time restrictions on member dues	<u>117,026</u>
Total	\$ <u>2,653,279</u>

MICHIGAN NONPROFIT ASSOCIATION  
Notes to Financial Statements  
Year ended June 30, 2007

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 \$62,300 for the year ended June 30, 2007.

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 \$30,000 and occupancy totaling \$60,646 are also reflected.

6. Leases

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:		
2008		\$ 8,722
2009		5,172
2010		431
less amounts representing interest		<u>(1,279)</u>
Capital leases payable		<u>\$ 13,046</u>

7. Mergers and Subsequent Events

Effective January 1, 2007, a merger between the Association and NPower Michigan Technology Center was approved. Since that date, The Association has assumed the operations of the Center. During the half year ended June 30, 2007, the Association has subsidized the Center's program with in the amount of \$130,983. It is anticipated that the net assets of Center will be transferred to the Association during the year ending June 30, 2008.

Effective July 1, 2007, a merger between the Association and ConnectMichigan Alliance was approved. Since that date, The Association has assumed the operations of the Alliance. It is anticipated that the net assets of Alliance will be transferred to the Association during the year ending June 30, 2008.