

MICHIGAN NONPROFIT ASSOCIATION

Financial Statements

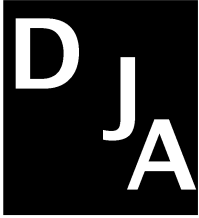
Year ended June 30, 2008

Independent Auditor's Report
prepared by:

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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, 2008, 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 U.S. generally accepted audit standards 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 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, 2008, 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.

In accordance with *Government Auditing Standards*, I have also issued a reported dated November 20, 2008 on my consideration of Michigan Nonprofit Association's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and 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 my audit.

My audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental schedule shown on page XX is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Association. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

David J Ambrose
Certified Public Accountant

November 20, 2008
Lansing, Michigan

MICHIGAN NONPROFIT ASSOCIATION
Statement of Financial Position
June 30, 2008, with comparative totals for 2007

<u>Assets</u>	Totals			
	Unrestricted	Temporarily Restricted	2008	2007
Cash and equivalents	\$ -	\$ 1,311,136	\$ 1,311,136	\$ 753,028
Due from Unrestricted	-	124,441	124,441	-
Accounts receivable	1,101,432	-	1,101,432	50,418
Grants & pledges receivable	-	1,757,271	1,757,271	1,835,000
Prepaid expenses	53,393	-	53,393	15,685
Furniture and Equipment:				
Furniture and office equipment	197,698	-	197,698	151,177
Less accumulated depreciation	165,869	-	165,869	116,507
Net Furniture and Equipment	31,829	-	31,829	34,670
 Total Assets	\$ 1,186,654	\$ 3,192,848	\$ 4,379,502	\$ 2,688,801
<u>Liabilities and Net Assets</u>				
Liabilities:				
Due to Temporarily Restricted	\$ 124,441	\$ -	\$ 124,441	\$ -
Accounts payable	86,103	-	86,103	22,327
Accrued payroll and vacation payable	37,963	-	37,963	64,376
Deferred revenue	24,460	-	24,460	13,425
Capital leases payable	5,231	-	5,231	13,046
Total Liabilities	278,198	-	278,198	113,174
Net Assets:				
Unrestricted	908,456	-	908,456	(77,652)
Temporarily restricted	-	3,192,848	3,192,848	2,653,279
Total Net Assets	908,456	3,192,848	4,101,304	2,575,627
 Total Liabilities and Net Assets	\$ 1,186,654	\$ 3,192,848	\$ 4,379,502	\$ 2,688,801

See accompanying notes to financial statements.

MICHIGAN NONPROFIT ASSOCIATION
Statement of Activities
Year ended June 30, 2008, with comparative totals for 2007

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>	
			<u>2008</u>	<u>2007</u>
Contributions, Revenues and Gains:				
Grant allocations	\$ -	\$ 2,187,450	\$ 2,187,450	\$ 2,097,252
Contributions	1,009,913	-	1,009,913	34,005
In-kind contributions	-	-	-	90,646
Membership dues	177,760	233,644	411,404	242,650
Program fees, consulting and sponsorship	865,368	-	865,368	432,933
Investment income	49,809	-	49,809	34,023
Miscellaneous income	37,828	-	37,828	26,528
Net assets released from restrictions:				
Time restrictions expired	217,173	(217,173)	-	-
Program restrictions satisfied	2,485,631	(2,485,631)	-	-
Total Contributions, Revenues and Gains	<u>4,843,482</u>	<u>(281,710)</u>	<u>4,561,772</u>	<u>2,958,037</u>
Expenses:				
Program Services:				
Educational Services	805,860	-	805,860	949,718
Public Policy	424,600	-	424,600	375,068
Nonprofit Outreach	926,626	-	926,626	601,138
Public Grants	896,737	-	896,737	-
Volunteerism	1,023,202	-	1,023,202	153,270
Total Program Services	<u>4,077,025</u>	<u>-</u>	<u>4,077,025</u>	<u>2,079,194</u>
Supporting Services:				
Administration	729,214	-	729,214	151,509
Fundraising	69,110	-	69,110	85,931
Total Supporting Services	<u>798,324</u>	<u>-</u>	<u>798,324</u>	<u>237,440</u>
Total Expenses	<u>4,875,349</u>	<u>-</u>	<u>4,875,349</u>	<u>2,316,634</u>
Increase (decrease) in net assets	(31,867)	(281,710)	(313,577)	641,403
Net Assets, beginning of period	(77,652)	2,653,279	2,575,627	1,934,224
Transfer of Net Assets from ConnectMichigan Alliance	1,017,975	821,279	1,839,254	-
Net Assets, end of period	<u>\$ 908,456</u>	<u>\$ 3,192,848</u>	<u>\$ 4,101,304</u>	<u>\$ 2,575,627</u>

See accompanying notes to financial statements.

MICHIGAN NONPROFIT ASSOCIATION
Statement of Functional Expenses
Year ended June 30, 2008, with comparative totals for 2007

	Program Services						Supporting Services			2007	
	Educational Services	Public Policy	Nonprofit Outreach	Public Grants	Volunteerism	Total	Administration	Fundraising	Total	Total	Comparative Total
Expenses											
Compensation	\$ 393,534	\$ 138,224	\$ 375,857	\$ 140,957	\$ 445,173	\$ 1,493,745	\$ 410,223	\$ 39,291	\$ 449,514	\$ 1,943,259	\$ 999,663
Pension Plan Contributions	30,503	10,993	26,545	7,699	29,298	105,038	26,990	2,690	29,680	134,718	62,300
Other Employee Benefits	42,127	10,942	50,586	22,689	48,585	174,929	31,346	2,351	33,697	208,626	106,931
Payroll Taxes	30,911	10,841	29,581	18,215	35,001	124,549	27,634	2,691	30,325	154,874	75,025
Accounting Fees	7,661	1,056	3,885	853	4,614	18,069	11,084	1,150	12,234	30,303	30,252
Legal Fees	123	61	153	107	230	674	782	77	859	1,533	21,740
Supplies	25,483	1,399	9,209	27,348	30,650	94,089	19,753	1,232	20,985	115,074	21,503
Telephone	3,543	1,042	1,613	1,334	3,322	10,854	7,415	755	8,170	19,024	5,649
Postage and shipping	13,292	9,545	28,387	7,556	9,997	68,777	5,852	679	6,531	75,308	39,897
Occupancy	30,368	5,988	32,574	11,924	16,544	97,398	113,860	9,193	123,053	220,451	148,423
Equipment rental & Maintenance	11,780	937	-	729	355	13,801	115	-	115	13,916	49,125
Printing & Publications	11,843	6,531	38,259	5,203	12,298	74,134	4,471	923	5,394	79,528	92,078
Technology	7,316	3,281	14,130	6,714	11,307	42,748	28,274	4,253	32,527	75,275	55,836
Travel	30,269	20,591	12,500	48,126	43,869	155,355	11,149	1,942	13,091	168,446	-
Conferences & meetings	84,259	14,042	8,713	15,497	39,484	161,995	10,222	878	11,100	173,095	150,196
Contract Services	74,728	176,191	74,475	96,378	162,210	583,982	7,390	(212)	7,178	591,160	332,951
Organizational Dues	2,500	5,676	22,337	-	24,903	55,416	3,052	500	3,552	58,968	18,785
Staff/Board Development	1,858	5,300	7,452	4,984	8,289	27,883	4,549	294	4,843	32,726	18,229
Program Grants	-	-	175,788	474,992	91,377	742,157	50	-	50	742,207	55,981
Miscellaneous	223	96	10,513	1,494	1,203	13,529	1,801	120	1,921	15,450	16,285
Total Expenses before depreciation	802,321	422,736	922,557	892,799	1,018,709	4,059,122	726,012	68,807	794,819	4,853,941	2,300,849
Depreciation expense	3,539	1,864	4,069	3,938	4,493	17,903	3,202	303	3,505	21,408	15,785
	<u>\$ 805,860</u>	<u>\$ 424,600</u>	<u>\$ 926,626</u>	<u>\$ 896,737</u>	<u>\$ 1,023,202</u>	<u>\$ 4,077,025</u>	<u>\$ 729,214</u>	<u>\$ 69,110</u>	<u>\$ 798,324</u>	<u>\$ 4,875,349</u>	<u>\$ 2,316,634</u>

See accompanying notes to financial statements.

MICHIGAN NONPROFIT ASSOCIATION
Statement of Cash Flows
Year ended June 30, 2008, with comparative total for 2007

	2008	2007
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ (313,577)	\$ 641,403
Adjustment to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	21,408	15,785
(Increase) decrease in operating assets:		
Accounts receivable	(1,051,014)	(4,981)
Grants receivable	77,729	(698,288)
Prepaid expenses	(37,708)	12,740
Increase (decrease) in operating liabilities:		
Accounts payable	63,776	(108,316)
Accrued payroll and vacation	(26,413)	30,634
Deferred revenue	11,035	6,875
Net cash provided by operating activities	(1,254,764)	(104,148)
 Cash flows from investing activities:		
Purchase of fixed assets	(18,567)	(7,923)
Transfer of net assets from ConnectMichigan Alliance	1,839,254	-
Net cash provided by investing activities	1,820,687	(7,923)
 Cash flows from financing activities:		
Payments on capital leases payable	(7,815)	(8,520)
 Net increase (decrease) in cash	558,108	(120,591)
 Cash and equivalents, beginning of period	753,028	873,619
 Cash and equivalents, end of period	\$ 1,311,136	\$ 753,028

See accompanying notes to financial statements.

MICHIGAN NONPROFIT ASSOCIATION
Notes to Financial Statements
Year ended June 30, 2008

1. Organization

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: 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 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.

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, 2008

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. Investments

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

MICHIGAN NONPROFIT ASSOCIATION
Notes to Financial Statements
Year ended June 30, 2008

4. Future Year Pledges

Temporarily restricted grants and pledges receivable representing grant commitments to be satisfied during the year ended June 30, 2008 total \$1,757,271.

5. Types of Restrictions

Temporarily restricted net assets at June 30, 2008 consist of the following:

Available for:

Strategic Fund	\$ 476,713
NPower	121,363
LEAGUE	61,901
Volunteer Centers of Michigan	116,387
Michigan Campus Compact	480,917
Michigan NOW!	236,832
Public Affairs	85,954
Detroit Office	657,931
Calhoun County Initiative	821,351
Time restrictions on member dues	<u>133,498</u>
Total	\$ <u>3,192,848</u>

6. 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 \$134,718 for the year ended June 30, 2008.

7. Leases

The Association leases office space under the terms of operating leases expiring in March, 2009 and July, 2011. Future minimum lease payments as of June 30, 2008 are as follows:

Year ending June 30:	
2009	\$ 158,505
2010	\$ 105,273
2011	\$ 107,192
2012	\$ 8,946

Office lease expense for the year ended June 30, 2008 totaled \$207,296.

MICHIGAN NONPROFIT ASSOCIATION
Notes to Financial Statements
Year ended June 30, 2008

7. Leases - continued

The Association leases office equipment under the terms of a capital lease which requires monthly payments of \$431. Terms of the contracts are as follows:

Year ending June 30:	
2009	\$ 5,172
2010	431
Less amounts representing interest	<u>(372)</u>
Capital leases payable	<u>\$ 5,231</u>

8. Merger

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

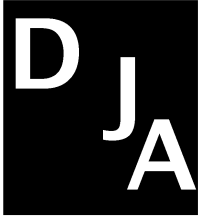
9. Concentrations of Credit Risk

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.

MICHIGAN NONPROFIT ASSOCIATION
 Schedule of Federal Expenditures of Federal Awards
 Year ended June 30, 2008

<u>Federal/Pass Through Grantor Program Title</u>	<u>Federal CFDA #</u>	<u>Federal Expenditures</u>
<u>Corporation for National and Community Service</u>		
MCC VISTA	94.013	\$ 25,242
MCC MSS	94.006	43,503
MM AmeriCorps	94.006	105,928
MCC LSA Grants	94.005	320,917
<u>DHS Administration for Children & Families</u>		
MNA CCF MI NOW	93.009	<u>262,408</u>
Total Expenditures of Federal Awards		<u>\$ 757,998</u>

See accompanying independent auditor's report.



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Board of Directors
Michigan Nonprofit Association
Lansing, Michigan

I have audited the financial statements of Michigan Nonprofit Association, as of and for the year ended June 30, 2008 and have issued my report thereon dated November 20, 2008. I conducted my 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 my audit, I considered Michigan Nonprofit Association's internal control over financial reporting as a basis for determining my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the 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 Association'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 Association's financial statements that is more than inconsequential will not be prevented or detected by the Association's internal control.

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 Association's internal control.

My 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 or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Michigan Nonprofit Association's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of Board of Directors, management of the Association and federal cognizant agency overseeing the federal programs and is not intended to be and should not be used by anyone other than these specified parties.

David J Ambrose
Certified Public Accountant

November 20, 2008
Lansing, Michigan

MICHIGAN NONPROFIT ASSOCIATION
Findings in Connection With *Government Auditing Standards*
Year ended June 30, 2008

Findings

There were no reportable conditions of non compliance noted for the year ended June 30, 2008.

There were no prior year findings.