

**NONPROFIT NETWORK**

**FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2010 AND 2009**

# NONPROFIT NETWORK

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors

Nonprofit Network

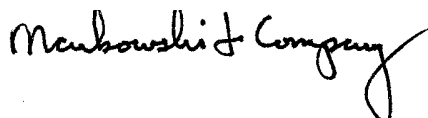
Jackson, Michigan

We have audited the accompanying statement of financial position of **Nonprofit Network** (a non-profit organization) as of December 31, 2010 and 2009, and the related statements of activities, functional expenses and cash flows for the years 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 financial statements of Nonprofit Network as of December 31, 2009 were audited by other auditors whose report dated April 19, 2010, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Nonprofit Network as of December 31, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Yours truly,



MARKOWSKI & COMPANY, CPAs

Jackson, Michigan

January 24, 2011

**NONPROFIT NETWORK**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2010 AND 2009**

	2010	2009
<b>ASSETS:</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 84,396	\$ 101,478
Accounts receivable (less allowance for doubtful accounts of \$-0- in 2010 and 2009)	1,401	985
Grant receivable	4,909	-
Prepaid expenses	809	1,179
Total current assets	91,515	103,642
 <b>PROPERTY AND EQUIPMENT - Net</b>	 2,647	 4,390
 <b>OTHER ASSETS:</b>		
Website development	4,963	7,860
Beneficial Interest in Endowment Fund	31,009	-
Total other assets	35,972	7,860
 Total assets	 \$ 130,134	 \$ 115,892
 <b>LIABILITIES AND NET ASSETS:</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 575	\$ 1,607
Deferred revenue	10,121	-
Accrued liabilities:		
Vacation payable	2,077	1,125
Payroll taxes and withholdings	4,010	2,030
Total current liabilities	16,783	4,762
 <b>NET ASSETS:</b>		
Unrestricted	113,351	90,797
Temporarily restricted	-	20,333
Total net assets	113,351	111,130
 Total liabilities and net assets	 \$ 130,134	 \$ 115,892

The accompanying notes are an integral part of these financial statements.

**NONPROFIT NETWORK**  
**STATEMENTS OF ACTIVITIES**  
**YEARS ENDED DECEMBER 31, 2010 AND 2009**

	Unrestricted	Restricted	Total	
			2010	2009
<b>SUPPORT, REVENUE AND RECLASSIFICATIONS:</b>				
Support and Revenue:				
Program services	\$ 12,754	\$ -	\$ 12,754	\$ 6,405
Contributions	3,915	-	3,915	2,615
Grant revenue	70,989	-	70,989	63,300
Consulting	29,054	-	29,054	24,687
Membership dues	5,354	-	5,354	9,000
Fundraising	1,468	-	1,468	1,596
In-Kind donation	12,480	-	12,480	13,960
Interest income	31,574	-	31,574	930
Other income	1,343	-	1,343	365
Total support and revenue	168,931	-	168,931	122,858
Reclassifications-				
Released from restrictions	20,333	(20,333)	-	-
Total support, revenue and reclassifications	189,264	(20,333)	168,931	122,858
Expenses:				
Program service	128,592	-	128,592	112,816
Management and General	38,118	-	38,118	27,437
Total expenses	166,710	-	166,710	140,253
Change in unrestricted net assets	22,554	(20,333)	2,221	(17,395)
NET ASSETS - Beginning of year	90,797	20,333	111,130	128,525
NET ASSETS - End of year	\$ 113,351	\$ -	\$ 113,351	\$ 111,130

The accompanying notes are an integral part of these financial statements.

**NONPROFIT NETWORK**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEARS ENDED DECEMBER 31, 2010 AND 2009**

	Program Services	Management & General	Total	
			2010	2009
<b>Employee Compensation:</b>				
Salaries	\$ 73,087	\$ 10,513	\$ 83,600	\$ 70,974
Payroll taxes and employee benefits	7,706	1,151	8,857	14,130
Total salaries and related expenses	<u>80,793</u>	<u>11,664</u>	<u>92,457</u>	<u>85,104</u>
<b>Other Expenses:</b>				
Accounting and payroll processing fee	3,040	760	3,800	3,508
Office supplies/expenses	3,169	792	3,961	2,340
Telephone expense	780	195	975	921
Postage	140	35	175	816
Rent expense	4,816	1,204	6,020	5,930
Professional fees	-	3,595	3,595	3,295
Consulting/contract labor fees	19,684	12,480	32,164	8,609
Computer and web-site services	-	96	96	3,347
Printing and publications	1,249	312	1,561	1,796
Meetings expense	850	212	1,062	331
Professional development	-	519	519	110
Program activities	6,445	-	6,445	14,803
Insurance expense	-	2,016	2,016	2,039
Resource library	-	2,523	2,523	1,760
Marketing and publicity	3,200	609	3,809	25
Miscellaneous expense	714	178	892	992
Total other expenses	<u>44,087</u>	<u>25,526</u>	<u>69,613</u>	<u>50,622</u>
Expenses before depreciation	124,880	37,190	162,070	135,726
Depreciation/amortization expense	<u>3,712</u>	<u>928</u>	<u>4,640</u>	<u>4,527</u>
Total expenses	<u>\$ 128,592</u>	<u>\$ 38,118</u>	<u>\$ 166,710</u>	<u>\$ 140,253</u>

The accompanying notes are an integral part of these financial statements.

**NONPROFIT NETWORK**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2010 AND 2009**

	2010	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in Net Assets	\$ 2,221	\$ (17,395)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation/amortization expense	4,640	4,527
Change in value of beneficial interest in endowment funds	(31,009)	-
Changes in operating assets and liabilities:		
Accounts receivable	(416)	1,462
Grant receivable	(4,909)	-
Prepaid expenses	370	2,002
Accounts payable	(1,032)	1,607
Deferred revenue	10,121	-
Accrued liabilities	2,932	(577)
Net cash provided (used) by operating activities	(17,082)	(8,374)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Matured certificate of deposit	-	94,155
Decrease in deposit on purchase in process	-	689
Acquisition of equipment	-	(3,161)
Net cash provided (used) by investing activities	-	91,683
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(17,082)	83,309
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	101,478	18,169
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 84,396	\$ 101,478

NONPROFIT NETWORK  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010

Nonprofit Network was formed to strengthen nonprofit governance and management in Michigan through the provision of specialized services to nonprofit organizations. These services include professional development seminars, consulting, targeted board candidate recruitment, placement, and training, as well as information, coordination, and referral services. The organization is a not-for-profit organization exempt from federal income taxes under Section 501(c) (3) of the Internal Revenue Code.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Nonprofit Network have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities. Under the accrual basis of accounting revenues are recognized when earned and expenses when incurred.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board ASC 958 (formerly (SFAS) No. 117), Financial Statements of Not-for-Profit Organizations. Under ASC 958, the Nonprofit Network, is required to report information regarding their financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Nonprofit Network does not have permanently restricted net assets.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows the organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Changes in the valuation allowance have not been material to the financial statements.

NONPROFIT NETWORK  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Property and equipment, which includes computer equipment and office furniture, are carried at cost. Depreciation of property and equipment is provided using the straight-line method at rates based on the following estimated useful lives:

	<u>Years</u>
Equipment	5
Office furniture	10

Contributions

The organization, in accordance with generally accepted accounting principles (GAAP), adheres to *Accounting for Contributions Received and Contributions Made*. In accordance with GAAP, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the existence or nature of any donor restrictions. When the temporary restriction expires, the contribution is reflected as released from restrictions and reported on the statement of activities. Contributions other than cash, if material, are recorded at their estimated fair value.

Donated Services

Individuals volunteer their time and perform a variety of tasks that assist the organization in the completion of its mission. Donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at the fair value in the period received.

Expense Allocation

The costs of providing the program and other activities have been summarized on a functional basis in the Statement of Activities and the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Beneficial Interest in Endowment Fund

The organization has a beneficial interest in assets held by a Foundation. The endowment agreements permit the Foundation to substitute another beneficiary in the place of the organization in accordance with the Foundation's bylaws. As a result, and in accordance with generally accepted accounting principles, the organization only records the spendable balance that is available to the organization.

NONPROFIT NETWORK  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2010

NOTE B: PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	2010	2009
Equipment	9,683	9,683
Office furniture	2,190	2,190
Total property and equipment	11,873	11,873
Less: Accumulated depreciation	(9,226)	(7,483)
Net property and equipment	\$ 2,647	\$ 4,390

Depreciation expense was \$1,743 and \$1,687 for 2010 and 2009 respectively.

NOTE C: OTHER ASSET – WEBSITE DEVELOPMENT

Development costs for the organization’s website are intangible assets that are classified as other assets on the Statement of Financial Position. The organization is amortizing this amount over a five (5) year period. The write off for 2010 and 2009 was \$2,897 and \$2,840 respectively.

NOTE D: RETIREMENT PLAN

The organization adopted a SIMPLE plan under Section 408 of the Internal Revenue Service Code for eligible employees. The organization provided an employer matching contribution of up to 3 percent of the employee’s salary reduction amount. Total company costs for the years ended December 31, 2010 and 2009, was \$2,534 and \$-0- respectively.

NOTE E: LEASES

The organization leases the office space that it operates from. For the year 2010, the office space was donated to the organization. The fair value of this donation, \$6,020 was recorded as a contribution and as rental expense. During 2009, the organization paid \$5,930 for this office space and reflected that amount as rental expense.

During 2010, the organization entered into a lease effective the 1<sup>st</sup> day of January 2011 and terminating on the 31<sup>st</sup> day of December 2012. This lease may be renewed for one additional year at a mutually agreed upon increase of at least 2% but not more than 7% of the prior year’s rent. The total minimum future lease payments are:

Year ending December 31, 2011	\$6,111
Year ending December 31, 2012	\$6,111

NONPROFIT NETWORK  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010

NOTE F: BENEFICIAL INTEREST IN ENDOWMENT FUND

As stated in the summary of significant accounting policies, the organization is the beneficiary of endowment funds held and administered by an outside fiscal agent (Foundation). Distributions from the Foundation shall be in accordance with the spending policy of the Foundation. The Foundation maintains variance power of the funds. This variance power allows the Foundation to distribute the funds to other organizations for the benefit of the community at the discretion of the Foundation. The amount of the beneficial interest in endowment funds recognized in these financial statements relate to the spendable portion that the organization has access to as of December 31, 2010.

As of December 31, 2010 and 2009, the current market value of the endowment funds held at the Foundation for the benefit of the organization was \$413,071 and \$409,552 respectively.

NOTE G: DEFERRED REVENUE

Deferred revenue consists of dues collected but not yet earned (\$7,271) and a payment received from a grant for the purchase of a survey tool that the organization has not yet incurred (\$2,850). In accordance with generally accepted accounting principles it is the policy of the organization to allocate the dues collected over the twelve calendar months of membership that is represented with the receipt of the dues.

NOTE H: SUBSEQUENT EVENTS

Subsequent events were evaluated through January 24, 2011, which was the date the financial statements were available to be issued. There were no transactions that require disclosure or would have an impact on the financial statements.