

JACKSON NONPROFIT SUPPORT CENTER

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT**

YEAR ENDED DECEMBER 31, 2007

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Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Jackson Nonprofit Support Center
Jackson, Michigan

We have audited the accompanying Statement of Financial Position of Jackson Nonprofit Support Center (a non-profit organization) as of December 31, 2007 and the related Statement of Activities and Changes in Net Assets, the Statement of Functional Expenses, and the Statement of 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.

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 Jackson Nonprofit Support Center as of December 31, 2007 and the changes in net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Drake, Watters & Associates, PLLC

Jackson, Michigan
May 26, 2008

JACKSON NONPROFIT SUPPORT CENTER
STATEMENT OF FINANCIAL POSITION
December 31, 2007

ASSETS

Current assets:

Cash and cash equivalents	\$ 51,446
Accounts receivable	6,148
Prepaid expenses	<u>5,854</u>
Total current assets	<u>63,448</u>

Property and equipment:

Office furniture and fixtures, net (note 3)	391
Equipment, net (note 3)	<u>4,846</u>
Total property and equipment	<u>5,237</u>

Other Assets:

Certificate of deposit	52,548
Website Development, net (note 6)	<u>12,240</u>
Total other assets	<u>64,788</u>

Total assets	\$ <u><u>133,473</u></u>
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LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable	\$ 2,232
Payroll taxes and withholdings	1,897
Accrued vacation	<u>2,207</u>
Total current liabilities	<u>6,336</u>

Net assets:

Unrestricted	126,919
Temporarily restricted	218
Permanently restricted	<u>-</u>

Total net assets	<u>127,137</u>
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Total liabilities and net assets	\$ <u><u>133,473</u></u>
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See auditors' report and accompanying notes to financial statements.

**JACKSON NONPROFIT SUPPORT CENTER
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
SUPPORT AND REVENUE:				
Contributions and sponsorships	\$ 1,987	\$ -	\$ -	\$ 1,987
Grant revenue	77,500	-	-	77,500
Consulting	30,400	-	-	30,400
Membership dues	10,270	-	-	10,270
Program services	3,686	2,402	-	6,088
Interest income	2,546	-	-	2,546
Endowment income	25,000	-	-	25,000
Other income	1,430	-	-	1,430
Total support and revenue	<u>152,819</u>	<u>2,402</u>	<u>-</u>	<u>155,221</u>
RECLASSIFICATIONS:				
Released from restriction	<u>2,184</u>	<u>(2,184)</u>	<u>-</u>	<u>-</u>
Total support, revenue and reclassifications	<u>155,003</u>	<u>218</u>	<u>-</u>	<u>155,221</u>
EXPENSES AND LOSSES:				
Program	119,414	-	-	119,414
Administration	<u>28,819</u>	<u>-</u>	<u>-</u>	<u>28,819</u>
Total expenses	<u>148,233</u>	<u>-</u>	<u>-</u>	<u>148,233</u>
CHANGE IN NET ASSETS	6,770	218	-	6,988
NET ASSETS - BEGINNING OF YEAR	<u>120,149</u>	<u>-</u>	<u>-</u>	<u>120,149</u>
NET ASSETS - END OF YEAR	<u>\$ 126,919</u>	<u>\$ 218</u>	<u>\$ -</u>	<u>\$ 127,137</u>

See auditors' report and accompanying notes to financial statements.

**JACKSON NONPROFIT SUPPORT CENTER
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>PROGRAM</u>	<u>MANAGEMENT AND GENERAL</u>	<u>TOTAL</u>
Salaries	\$ 52,946	\$ 13,237	\$ 66,183
Payroll taxes	3,816	954	4,770
Employee benefits	<u>9,148</u>	<u>2,287</u>	<u>11,435</u>
Total salaries and related expenses	65,910	16,478	82,388
Payroll and bookkeeping services	2,878	720	3,598
Office supplies and expenses	1,430	357	1,787
Telephone	2,172	543	2,715
Postage	266	67	333
Occupancy	11,040	2,760	13,800
Legal and professional	-	2,620	2,620
Consulting fees	20,804	-	20,804
Computer and web-site services	760	190	950
Printing and publications	217	54	271
Meetings expense	622	155	777
Professional development	6,859	1,715	8,574
Program activities	2,957	-	2,957
Insurance	-	2,286	2,286
Resource library	1,451	363	1,814
Marketing and publicity	<u>114</u>	<u>28</u>	<u>142</u>
Total expenses before depreciation	117,480	28,336	145,816
Depreciation and amortization	<u>1,934</u>	<u>483</u>	<u>2,417</u>
Total Expenses	<u>\$ 119,414</u>	<u>\$ 28,819</u>	<u>\$ 148,233</u>

See auditors' report and accompanying notes to financial statements.

**JACKSON NONPROFIT SUPPORT CENTER
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2007**

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ 6,988
Adjustments to reconcile change in net assets to net cash used for operating activities:	
Depreciation and amortization expense	2,417
Change in operating assets and liabilities:	
Accounts receivable	(4,308)
Prepaid expenses	(503)
Accounts payable	2,232
Payroll taxes withheld	(469)
Accrued vacation	<u>1,645</u>
Net cash provided from operating activities	<u>8,002</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Increase in certificate of deposit	(2,264)
Decrease in deposit on purchase in process	9,948
Acquisition of equipment	(3,165)
Acquisition of software	<u>(13,353)</u>
Net cash from investing activities	<u>(8,834)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(832)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>52,278</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 51,446</u>

See auditors' report and accompanying notes to financial statements.

**JACKSON NONPROFIT SUPPORT CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Jackson Nonprofit Support Center (the Center) is a non-profit organization exempt from tax under Section 501(c)(3) of the Internal Revenue Code, and contributions to the Center qualify for the 50% charitable contributions limitation. The Center is designated as a "publicly supported" organization.

Program Activity

The Center functions as a community volunteer resource and youth alliance agency. Operational support services are provided to area not-for-profit agencies. Seminars are offered for staff and board member training, community service projects are conducted based on area needs, and a program for youth mentoring is provided.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Center and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Center and/or the passage of time. When a 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.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that must be maintained permanently by the Center. Generally, the donors of these assets permit the Center to use all or part of the income earned on any related investments for general or specific purposes.

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 or permanently restricted support that increases those net asset classes. 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.

Contributions of donated non-cash assets, if any, are recorded at their fair values in the period received. Contributions of 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 their fair values in the period received. No such services were received this year.

**JACKSON NONPROFIT SUPPORT CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Property, Equipment and Depreciation

The Center follows the practice of capitalizing all expenditures for property and equipment at cost; the fair value of donated fixed assets is similarly capitalized. Depreciation is provided over the estimated useful lives of the assets using the straight line method as follows:

<u>CLASSIFICATION</u>	<u>LIFE</u>
Office furniture and fixtures	5-7 years
Equipment	5-7 years

Depreciation for 2007 was \$1,304.

The net fixed asset balance has been recorded as a component of unrestricted net assets.

Board Designated Funds

It is the policy of the Board of Directors to review its plans for future programs and acquisitions from time to time and designate appropriate sums to assure adequate financing of such programs and acquisitions. No such sums were designated this year.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services that were benefited.

NOTE 2: DONATED MATERIALS AND SERVICES

Donated materials and equipment, if any, are reflected as contributions in the accompanying statements at their actual or estimated values at the date of receipt in compliance with generally accepted accounting principles. The Center receives a significant amount of donated services from unpaid volunteers who assist in fundraising and special projects. No amounts have been recognized in the statement of activities because the criteria for recognition under SFAS No. 116 have not been satisfied.

**JACKSON NONPROFIT SUPPORT CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007**

NOTE 3: FURNITURE AND EQUIPMENT

The following is a summary of furniture and equipment as of December 31, 2007:

Office furniture	\$	2,190
Equipment		22,182
		<u>24,372</u>
Less accumulated depreciation		<u>(19,135)</u>
Total	\$	<u><u>5,237</u></u>

NOTE 4: OPERATING LEASE COMMITMENTS

The Center occupied leased office facilities requiring rent of \$13,800 annually. The lease was renewed on October 1, 2006. At the maturity of the lease, the space continued to be occupied on a month-to-month basis through the end of the year. The Landlord required a written notice sixty days in advance of terminating the lease. The Center notified the Landlord that they would be vacating the premises as of the year-end. Beginning in 2008, the Center will be located in the United Way building. Rent expense for the year ended December 31, 2007 was \$13,800.

NOTE 5: GRANT REVENUE

The Center has received various operating support grants during the year. The Jackson County Community Foundation awarded the largest of those grants, in the amount of \$40,000.

NOTE 6: INTANGIBLE ASSETS

Intangible assets consist of website development. Amortization of the asset is provided over sixty months. Current year amortization expense was \$1,113. The following is a summary of intangible assets as of December 31, 2007:

Website development	\$	13,353
Less accumulated amortization		<u>(1,113)</u>
Total	\$	<u><u>12,240</u></u>

NOTE 7: LINE OF CREDIT

As of December 31, 2007, the Center no longer has a line of credit with CP Federal Credit Union. No balances are outstanding.

**JACKSON NONPROFIT SUPPORT CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007**

NOTE 8: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are released when expenses are incurred that satisfy the donor imposed restrictions. During the year ended December 31, 2007, the amount released from restriction are as follows:

Purpose restriction accomplished:

Mentoring Collabortive	\$	2,184
		2,184
Total	\$	2,184

NOTE 9: ENDOWMENT FUND

The Center has established an endowment fund known as the Jackson Nonprofit Support Center/George W. Romney Fund (the Fund). The Fund is a component fund of the Jackson County Community Foundation (the Foundation).

The purpose of the Fund is to establish a permanent endowment for the benefit of the Jackson Nonprofit Support Center.

Distributions from the Fund shall be in accordance with the spending policy of the Jackson County Community Foundation and shall be paid annually or as the parties agree. Distributions may be made to the Center to acquire capital assets or when faced with unexpected financial needs. However, distributions are subject to the approval of the Foundation. The Center requested and received an allocation of \$25,000 during the year.

Variance power was granted to the Foundation. Terms of the variance allow, upon notification, the distribution of income or principal to promote charitable, scientific or educational purposes for the benefit of the community when, or if, distributions to Jackson Nonprofit Support Center become impossible, unnecessary, undesirable or impractical.

The amount is not recognized in the Statement of Financial Position because the Foundation continues to have variance power. The amount of direct contributions from the Center into the endowment fund by year are as follows:

<u>Year</u>	<u>Amount of contributions</u>
2001	\$30,000
2002	\$75,000
2003	\$21,475
2004	\$30,350
2005	\$ -0-
2006	\$ -0-
2007	\$ -0-

As of December 31, 2007, the current market value of the endowment fund held by Jackson Community Foundation is \$485,896.03.

**JACKSON NONPROFIT SUPPORT CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007**

NOTE 10: CONCENTRATIONS

The Center received approximately 50% of its operating revenue from grants. Consulting income represents 24%. The Jackson County Community Foundation grant is 52% of total grant revenue and represents 26% of total revenue.

NOTE 11: RELATED PARTY TRANSACTION

The Center contracted with VDN Services, LLC to provide technical support. A board member is related to VDN Services, LLC. The amount paid during the year was \$1,197.

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Certified Public Accountants

May 26, 2008

To The Board of Directors of
Jackson Nonprofit Support Center
1100 Clinton Road Suite 215
Jackson, Michigan 49202

In planning and performing our audit of the financial statements of Jackson Nonprofit Support Center for the year ended December 31, 2007, we considered the Center's internal control in order to determine the auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

During the audit, we became aware of several matters that are opportunities for improvement in the Center's accounting system. This letter does not affect our report dated May 26, 2008, on the financial statements of Jackson Nonprofit Support Center.

The status of these comments will be reviewed during the next audit engagement. We will be pleased to discuss these comments in further detail at your convenience or to assist you in implementing the recommendations. Our recommendations are summarized as follows:

Recording of Transactions

We have proposed journal entries for payables, to record the software and server additions, and for prepaid expenses. These proposed journal entries will need to be approved and forwarded to CP Federal Credit Union to post as of December 31, 2007.

Accounts Receivable

The prior year's write off was posted as one lump sum to "A Auditor Adj," therefore, the clients individual accounts continued to appear in receivables aging summary. We discussed with and recommended that CP Federal Credit Union post the adjustments to each individual client as of year-end, thus preventing misrepresentation of aging receivables.

We discussed with Pegg the need to adjust the accounting procedures for promotional activities. When having a promotion, clients should receive credit vouchers that have an expiration date. When clients use the vouchers, the value of the voucher should be posted to a contra account, as a discount, to the appropriate revenue account.

Employee Work Agreements

We recommend that employee work agreements align with the Center's year-end. Any work agreements that are entered into midyear should be temporary, and thus conclude at year-end. In addition, work agreements should contain wording stating that vacation time has to be earned over a period of time. Therefore, preventing the Center from unnecessary liability. We also recommend the Center consider having an attorney's assistance in creating the work agreements, these are legal contracts and need to be carefully constructed.

Bank Reconciliations

There are several old outstanding items on the Center's bank reconciliation. We recommend marking these items as cleared on the next bank reconciliation, then record an adjusting entry to put the money back into the cash account and reduce the expenses by the same amount. We recommend doing this to remove these stale items from the Center's bank records, and it should be done as we have suggested so that the transactions occur during 2008. Please do not use the "void check" procedures described by Quick Books or it will remove the items back to the date the checks were issued. As a result, the books will not support the Center's audited financial statements or the Form 990 returns that have been previously filed. If you have questions, feel free to call us, or have CP Federal Credit Union call us, for assistance.

We would like to thank Pegg for her cooperation during the audit. She was very helpful.

This report is intended solely for the information and use of the Board of Directors, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Drake, Watters & Associates, PLLC

Jackson, Michigan
May 26, 2008