

**NONPROFIT NETWORK**  
**FINANCIAL STATEMENTS**  
**AND INDEPENDENT AUDITORS' REPORT**  
**YEAR ENDED DECEMBER 31, 2009**

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
Nonprofit Network  
Jackson, Michigan

We have audited the accompanying Statement of Financial Position of Nonprofit Network (a non-profit organization) as of December 31, 2009 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 Nonprofit Network as of December 31, 2009 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  
April 19, 2010

**NONPROFIT NETWORK**  
**STATEMENT OF FINANCIAL POSITION**  
December 31, 2009

**ASSETS**

**Current assets:**

Cash and cash equivalents	\$ 101,478
Accounts receivable	985
Prepaid expenses	<u>1,179</u>
Total current assets	<u>103,642</u>

**Property and equipment:**

Office furniture and fixtures, net (note 3)	72
Equipment, net (note 3)	<u>4,318</u>
Total property and equipment	<u>4,390</u>

**Other Assets:**

Website Development, net (note 6)	<u>7,860</u>
Total other assets	<u>7,860</u>

<b>Total assets</b>	<b>\$ <u><u>115,892</u></u></b>
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**LIABILITIES AND NET ASSETS**

**Current liabilities:**

Accounts payable	\$ 1,607
Payroll taxes and withholdings	2,030
Accrued vacation	<u>1,125</u>
Total current liabilities	<u>4,762</u>

**Net assets:**

Unrestricted	90,797
Temporarily restricted	20,333
Permanently restricted	<u>-</u>
Total net assets	<u>111,130</u>
<b>Total liabilities and net assets</b>	<b>\$ <u><u>115,892</u></u></b>

*See auditors' report and accompanying notes to financial statements.*

**NONPROFIT NETWORK  
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
<b>SUPPORT AND REVENUE:</b>				
Contributions and sponsorships	\$ 2,615	\$ -	\$ -	\$ 2,615
Grant revenue	37,500	25,800	-	63,300
Consulting	24,687	-	-	24,687
Membership dues	9,000	-	-	9,000
Program services	6,405	-	-	6,405
Fundraising	1,596	-	-	1,596
Interest income	930	-	-	930
In-kind donations	13,960	-	-	13,960
Other income	365	-	-	365
	<hr/>	<hr/>	<hr/>	<hr/>
Total support and revenue	97,058	25,800	-	122,858
<b>RECLASSIFICATIONS:</b>				
Released from restriction	5,467	(5,467)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total support, revenue and reclassifications	102,525	20,333	-	122,858
<b>EXPENSES AND LOSSES:</b>				
Program	112,816	-	-	112,816
Administration	27,437	-	-	27,437
Fundraising	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	140,253	-	-	140,253
<b>CHANGE IN NET ASSETS</b>	(37,728)	20,333	-	(17,395)
<b>NET ASSETS - BEGINNING OF YEAR</b>	128,525	-	-	128,525
	<hr/>	<hr/>	<hr/>	<hr/>
<b>NET ASSETS - END OF YEAR</b>	\$ 90,797	\$ 20,333	\$ -	\$ 111,130
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*See auditors' report and accompanying notes to financial statements.*

**NONPROFIT NETWORK  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>PROGRAM</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
Salaries	\$ 56,779	\$ 14,195	\$ -	\$ 70,974
Payroll taxes	4,252	1,063	-	5,315
Employee benefits	7,052	1,763	-	8,815
<b>Total salaries and related expenses</b>	<b>68,083</b>	<b>17,021</b>	<b>-</b>	<b>85,104</b>
Payroll and bookkeeping services	2,806	702	-	3,508
Office supplies and expenses	1,872	468	-	2,340
Telephone	737	184	-	921
Postage	653	163	-	816
Occupancy	4,744	1,186	-	5,930
Legal and professional	-	3,295	-	3,295
Consulting fees	8,609	-	-	8,609
Computer and web-site services	2,678	669	-	3,347
Printing and publications	1,437	359	-	1,796
Meetings expense	265	66	-	331
Professional development	88	22	-	110
Program activities	14,803	-	-	14,803
Insurance	-	2,039	-	2,039
Resource library	1,408	352	-	1,760
Miscellaneous	992	-	-	992
Marketing and publicity	20	5	-	25
<b>Total expenses before depreciation</b>	<b>109,195</b>	<b>26,531</b>	<b>-</b>	<b>135,726</b>
Depreciation and amortization	3,621	906	-	4,527
<b>Total Expenses</b>	<b>\$ 112,816</b>	<b>\$ 27,437</b>	<b>-</b>	<b>\$ 140,253</b>

*See auditors' report and accompanying notes to financial statements.*

**NONPROFIT NETWORK  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Change in net assets	\$ (17,395)
Adjustments to reconcile change in net assets to net cash used for operating activities:	
Depreciation and amortization expense	4,527
Change in operating assets and liabilities:	
Accounts receivable	1,462
Prepaid expenses	2,002
Accounts payable	1,607
Payroll taxes withheld	(632)
Accrued vacation	<u>55</u>
Net cash provided from operating activities	<u>(8,374)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Matured certificate of deposit	94,155
Decrease in deposit on purchase in process	689
Acquisitions of Equipment	<u>(3,161)</u>
Net cash from investing activities	<u>91,683</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	83,309
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>18,169</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ <u>101,478</u></u>

*See auditors' report and accompanying notes to financial statements.*

**NONPROFIT NETWORK  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2009**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

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

**Program Activity**

The purpose of the Agency is to provide management and volunteer support to the Jackson County nonprofit community through four main components; information services, consulting services, training and resource library services.

**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 Agency 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 Agency 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 Agency. Generally, the donors of these assets permit the Agency 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.

**NONPROFIT NETWORK  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2009**

**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.

Deposits in excess of the maximum insurance provided by the F.D.I.C. represent an uninsured risk to the Agency. The basic insurance amount is \$250,000 per depositor, per insured financial institution. During the year ended December 31, 2009, the Agency had no balances in excess of the F.D.I.C. insured limitation.

**Property, Equipment and Depreciation**

The Agency 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 2009 was \$1,686.

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

**Other Assets**

Development costs for the Agency's website, are intangible assets that are classified as other assets on the Statement of Financial Position.

**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.

**NONPROFIT NETWORK  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2009**

**NOTE 2: DONATED MATERIALS AND SERVICES**

Donated materials and services, if any, are reflected as in-kind contributions in the accompanying statements at their actual or estimated values at the date of receipt in compliance with generally accepted accounting principles.

The Agency received donated materials to be distributed to area not-for-profit organizations. These materials were recorded as in-kind contributions and valued at \$5,470, for the year ended December 31, 2009.

The Agency receives a significant amount of donated services from unpaid volunteers who assist in special projects. Professional consulting services were donated to the Agency in the form of workshops. The workshops provide support services, to area not-for-profit organizations, to strengthen nonprofit governance and management. These services were recorded as in-kind contributions and valued at \$8,490, for the year ended December 31, 2009.

**NOTE 3: FURNITURE AND EQUIPMENT**

The following is a summary of furniture and equipment as of December 31, 2009:

Office furniture	\$	2,190
Equipment		9,683
		<u>11,873</u>
Less accumulated depreciation		(7,483)
Total	\$	<u><u>4,390</u></u>

**NOTE 4: OPERATING LEASE COMMITMENTS**

The Agency occupies leased office facilities requiring rent of \$5,820 annually. The lease was entered into on January 1, 2009. The terms of the lease are on an annual basis for a period of one year. At the end of the one-year term, renewal of the lease will be on a month-to-month basis for a period of one year. Upon vacating the premises the Landlord requires a written notice ninety days in advance. The right of extension is conditional upon the landlord's approval. Office rental expense for the year ended December 31, 2009 was \$5,930.

**NOTE 5: GRANT REVENUE**

The Agency has received various operating support grants during the year. United Way of Jackson County awarded the largest of those grants, in the amount of \$20,000.

(continued on next page)

**NONPROFIT NETWORK  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2009**

**NOTE 6: INTANGIBLE ASSETS**

Intangible assets consist of website development. Amortization of the asset is provided over sixty months. Current year amortization expense was \$2,841. The following is a summary of intangible assets as of December 31, 2009:

Website development	\$	14,483
Less accumulated amortization		<u>(6,623)</u>
Total	\$	<u><u>7,860</u></u>

**NOTE 7: FUND RAISING**

Numerous volunteer hours accomplish most of the work related to the following projects. The following list shows the income of each event, the related expense and net proceeds. It does not include indirect expenses such as payroll and related costs.

	<u>Gross Revenue</u>	<u>Event Expenses</u>	<u>Net Proceeds</u>
Poker Night	\$ 496	\$ -	\$ 496
Fair Parking	<u>1,100</u>	<u>-</u>	<u>1,100</u>
Total	<u><u>\$ 1,596</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,596</u></u>

A licensing fee was paid in the prior year in the amount of \$200, for the poker night event. All other fundraising expenses were donated.

**NOTE 8: TEMPORARILY RESTRICTED NET ASSETS**

As of December 31, 2009, temporarily restricted net assets are available for the following purposes:

MNA 2010 Census Grant	\$	15,000
Human Services Coordinating Alliance		<u>5,333</u>
Total	\$	<u><u>20,333</u></u>

**NONPROFIT NETWORK  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2009**

**NOTE 9: NET ASSETS RELEASED FROM DONOR RESTRICTIONS**

Temporarily restricted net assets are released when expenses are incurred that satisfy the donor-imposed restrictions. During the year ended December 31, 2009, the amounts released from restriction are as follows:

Purpose restriction accomplished:

Computer Equipment	\$	2,800
Human Services Coordinating Alliance		<u>2,667</u>
Total	\$	<u><u>5,467</u></u>

**NOTE 10: ENDOWMENT FUND**

The Agency has historically contributed to 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 Nonprofit Network.

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 Agency to acquire capital assets or when faced with unexpected financial needs. However, distributions are subject to the approval of the Foundation. The Agency requested no such distribution during the year ended December 31, 2009.

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 Nonprofit Network 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 Agency 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 to present	\$ -0-

As of December 31, 2009, the current market value of the endowment fund held by Jackson Community Foundation is \$409,552.13.

**NOTE 11: CONCENTRATIONS**

The Agency received approximately 52% of its operating revenue from grants. Consulting income represents 20%. The United Way of Jackson County grant is 32% of total grant revenue and represents 16% of total revenue.