

**Financial Statements**  
**Nonprofit Enterprise at Work, Inc.**  
**Years Ended June 30 2006 and 2005**  
*And Independent Auditors' Report*

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*Independent Auditors' Report*

To the Board of Trustees  
Nonprofit Enterprise at Work, Inc.  
Ann Arbor, Michigan

We have audited the accompanying statements of financial position of Nonprofit Enterprise at Work, Inc. (a non-profit organization) as of June 30, 2006 and 2005, 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting 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 audits provide 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 Enterprise at Work, Inc. as of June 30, 2006 and 2005, 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.

*Plante & Moran, PLLC*

October 12, 2006

**Nonprofit Enterprise at Work, Inc.**  
**Statements of Financial Position**  
**June 30, 2006 and 2005**

	2006	2005
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 477,703	\$ 415,765
Accounts receivable:		
Pledges	14,750	-
Other, net	48,870	7,877
Tenant reimbursement:	15,920	21,241
Deposits	5,873	3,340
Prepaid expenses	2,485	2,648
Total current assets	565,601	450,871
Fixed assets:		
Land	53,000	53,000
Building and improvement	824,547	805,745
Furniture and fixtures	71,836	120,729
Library	53,980	51,727
Computer equipment and software	38,521	37,172
	1,041,884	1,068,373
Less accumulated depreciation and amortization	(403,418)	(409,329)
Total fixed assets	638,466	659,044
	\$ 1,204,067	\$ 1,109,915
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable - trade	\$ 20,213	\$ 5,186
Accrued liabilities	20,374	16,034
Lease payable - current portion	3,575	3,191
Deferred revenue	325	-
Security deposits payable	5,420	5,264
Total current liabilities	49,907	29,675
Lease payable - long term portion	4,359	7,934
	54,266	37,609
Net assets:		
Unrestricted net assets	475,322	381,307
Temporarily restricted - operation:	65,183	38,440
Temporarily restricted fixed asset:	609,296	652,559
Total net assets	1,149,801	1,072,306
	\$ 1,204,067	\$ 1,109,915

*See notes to financial statements.*

**Nonprofit Enterprise at Work, Inc.**  
**Statement of Activities**  
**For the Year Ended June 30, 2006**  
**With Comparative Totals for June 30, 2005**

	Operations		Fixed Assets
	Unrestricted	Temporarily Restricted	Temporarily Restricted
<b>Support and revenue</b>			
<b>Support:</b>			
Grants, contributions, and sponsorship:	\$ 509,493	\$ 31,743	\$ 4,050
In-kind contributions:			
Donated materials and supplies:	8,019	-	-
Donated services:	143,056	-	-
Total support:	660,568	31,743	4,050
<b>Revenue:</b>			
Registration fees -			
workshops, conferences, program:	67,733	-	-
Nonprofit Navigator:	22,577	-	-
Rentals - tenant:	151,399	-	-
Usage fees and other reimbursement:	33,933	-	-
Interest:	13,083	-	-
Miscellaneous:	10,876	-	-
Total revenue:	299,601	-	-
Total support and revenue:	960,169	31,743	4,050
<b>Net assets released from restrictions:</b>			
Satisfaction of restriction requirement:	52,313	(5,000)	(47,313)
<b>Expenses:</b>			
Program services:			
Education and training:	161,937	-	-
Information services:	60,735	-	-
Building management:	162,474	-	-
Nonprofit Navigator:	80,478	-	-
BoardConnect:	179,046	-	-
WebConnect:	77,241	-	-
Supporting services:			
Management and general:	156,770	-	-
Fundraising:	39,786	-	-
Total expenses:	918,467	-	-
<b>Increase (decrease) in net assets</b>	94,015	26,743	(43,263)
Net assets - beginning of year as restated:	381,307	38,440	652,559
<b>Net assets - end of year</b>	\$ 475,322	\$ 65,183	\$ 609,296

*See notes to financial statements.*

<b>Totals</b>	
<b>2006</b>	<b>2005</b>
<b>\$ 545,286</b>	<b>\$ 445,476</b>
<b>8,019</b>	10,259
<b>143,056</b>	101,071
<b>696,361</b>	556,806
<b>67,733</b>	72,635
<b>22,577</b>	17,830
<b>151,399</b>	152,492
<b>33,933</b>	34,391
<b>13,083</b>	4,000
<b>10,876</b>	4,416
<b>299,601</b>	285,764
<b>995,962</b>	842,570
<b>-</b>	<b>-</b>
<b>161,937</b>	190,812
<b>60,735</b>	63,273
<b>162,474</b>	124,986
<b>80,478</b>	84,801
<b>179,046</b>	83,906
<b>77,241</b>	38,205
<b>156,770</b>	141,447
<b>39,786</b>	30,746
<b>918,467</b>	758,176
<b>77,495</b>	84,394
<b>1,072,306</b>	987,912
<b>\$ 1,149,801</b>	<b>\$ 1,072,306</b>

**Nonprofit Enterprise at Work, Inc.**  
**Statement of Activities**  
**for the Year Ended June 30, 2005**

	<u>Operations</u>		<u>Fixed Assets</u>	
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Temporarily Restricted</u>	<u>2005</u>
<b>Support and revenue</b>				
<b>Support:</b>				
Grants, contributions, and sponsorships	\$ 439,806	\$ 5,670	\$ -	\$ 445,476
In-kind contributions				
Donated materials and supplies	10,259	-	-	10,259
Donated services	101,071	-	-	101,071
Total support	551,136	5,670	-	556,806
<b>Revenue:</b>				
Registration fees -				
workshops, conferences, programs	72,635	-	-	72,635
Nonprofit Navigator	17,830	-	-	17,830
Rentals - tenant	152,492	-	-	152,492
Usage fees and other reimbursements	34,391	-	-	34,391
Interest	4,000	-	-	4,000
Miscellaneous	4,416	-	-	4,416
Total revenue	285,764	-	-	285,764
Total support and revenue	836,900	5,670	-	842,570
<b>Net assets released from restrictions:</b>				
Satisfaction of restriction requirements	66,988	(25,000)	(41,988)	-
<b>Expenses:</b>				
Program services:				
Education and training	190,812	-	-	190,812
Information services	63,273	-	-	63,273
Building management	124,986	-	-	124,986
Nonprofit Navigator	84,801	-	-	84,801
BoardConnect	83,906	-	-	83,906
WebConnect	38,205	-	-	38,205
Supporting services:				
Management and general	141,447	-	-	141,447
Fundraising	30,746	-	-	30,746
Total expenses	758,176	-	-	758,176
<b>Increase (decrease) in net assets</b>	145,712	(19,330)	(41,988)	84,394
Net assets - beginning of year as restated	235,595	57,770	694,547	987,912
<b>Net assets - end of year</b>	\$ 381,307	\$ 38,440	\$ 652,559	\$ 1,072,306

See notes to financial statements.

**Nonprofit Enterprises at Work, Inc.**  
**Statement of Functional Expenses**  
**For the Year Ended June 30, 2006**  
**With Comparative Totals for June 30, 2005**

	<b>Program Services</b>				
	<b>Education and Training</b>	<b>Information Services</b>	<b>Building Management</b>	<b>Nonprofit Navigator</b>	<b>BoardConnect</b>
Payroll expenses					
Wages	\$ 52,180	\$ 44,463	\$ 29,986	\$ 65,986	\$ 123,754
Payroll taxes	4,110	3,499	2,333	4,966	9,200
Employee benefits	2,779	2,339	1,206	2,550	5,453
Total payroll expense	<u>59,069</u>	<u>50,301</u>	<u>33,525</u>	<u>73,502</u>	<u>138,407</u>
Other expenses:					
Office supplies	264	263	3,001	494	1,307
Program expenses	2,643	2,750	-	4,981	5,000
Telephone	1,092	624	472	676	1,633
Postage	5,141	102	-	34	374
Postage - tenant reimbursable	-	-	12,127	-	-
Janitorial	-	-	11,132	-	-
Utilities	-	-	28,326	-	-
Rent	-	-	351	-	-
Travel and conferences	113	9	74	48	2,654
Dues and subscriptions	-	1,432	-	-	6,000
Insurance	-	-	2,272	-	-
Meals and entertainment	1,883	-	-	2	1,130
Copying and printing	7,097	348	1,245	75	2,679
Repairs and maintenance	-	-	10,486	-	-
Contract services	7,419	35	16,240	195	7,066
Professional fees	-	-	-	-	-
Donated services	68,110	-	-	-	2,785
Marketing and promotion	8,499	230	784	176	9,198
Miscellaneous	15	1,674	522	-	139
Bad debt	-	63	-	-	-
Loss on disposal	-	-	-	-	-
Allocation of occupancy cost	440	135	(1,780)	143	389
Total expenses before depreciation	<u>161,785</u>	<u>57,966</u>	<u>118,777</u>	<u>80,326</u>	<u>178,761</u>
Depreciation	<u>152</u>	<u>2,769</u>	<u>43,697</u>	<u>152</u>	<u>285</u>
Total expenses	<u>\$ 161,937</u>	<u>\$ 60,735</u>	<u>\$ 162,474</u>	<u>\$ 80,478</u>	<u>\$ 179,046</u>

See notes to financial statements.



		Supporting Services					
WebConnect	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total		
					2006	2005	
\$ 17,836	\$ 334,205	\$ 40,389	\$ 29,360	\$ 69,749	\$ 403,954	\$ 365,960	
1,255	25,363	6,645	2,217	8,862	34,225	31,734	
316	14,643	1,867	1,492	3,359	18,002	16,775	
19,407	374,211	48,901	33,069	81,970	456,181	414,469	
549	5,878	3,112	665	3,777	9,655	11,912	
-	15,374	-	-	-	15,374	4,945	
624	5,121	-	208	208	5,329	5,435	
37	5,688	412	741	1,153	6,841	5,531	
-	12,127	-	-	-	12,127	12,470	
-	11,132	-	-	-	11,132	9,010	
-	28,326	-	-	-	28,326	19,389	
-	351	-	-	-	351	429	
90	2,988	4,937	191	5,128	8,116	4,168	
-	7,432	2,904	-	2,904	10,336	10,498	
-	2,272	4,042	-	4,042	6,314	6,626	
-	3,015	2,175	512	2,687	5,702	7,342	
315	11,759	7,684	-	7,684	19,443	7,401	
-	10,486	5,227	-	5,227	15,713	21,185	
15,929	46,884	23,520	-	23,520	70,404	40,732	
-	-	5,025	-	5,025	5,025	5,525	
40,000	110,895	32,161	-	32,161	143,056	101,071	
74	18,961	3,005	4,400	7,405	26,366	18,895	
-	2,350	3,800	-	3,800	6,150	6,921	
150	213	-	-	-	213	1,836	
-	-	567	-	567	567	-	
66	(607)	607	-	607	-	-	
77,241	674,856	148,079	39,786	187,865	862,721	715,790	
-	47,055	8,691	-	8,691	55,746	42,386	
\$ 77,241	\$ 721,911	\$ 156,770	\$ 39,786	\$ 196,556	\$ 918,467	\$ 758,176	

**Nonprofit Enterprise at Work, Inc.  
Statement of Functional Expenses  
For the Year Ended June 30, 2005**

	<b>Program Services</b>				
	<b>Education and Training</b>	<b>Information Services</b>	<b>Building Management</b>	<b>Nonprofit Navigator</b>	<b>BoardConnect</b>
Payroll expenses:					
Wages	\$ 68,541	\$ 45,887	\$ 33,821	\$ 66,925	\$ 58,568
Payroll taxes	5,411	3,526	2,614	4,973	4,394
Employee benefits	3,815	1,194	4,014	3,387	704
Total payroll expenses	<u>77,767</u>	<u>50,607</u>	<u>40,449</u>	<u>75,285</u>	<u>63,666</u>
Other expenses:					
Office supplies	1,084	283	3,622	254	1,008
Program expenses	2,190	-	-	2,755	-
Telephone	1,304	706	543	761	924
Postage	3,617	220	-	104	108
Postage - tenant reimbursable	-	-	12,470	-	-
Janitorial	-	-	9,010	-	-
Utilities	-	-	19,389	-	-
Rent	-	-	429	-	-
Travel and conferences	77	91	31	-	1,154
Dues and subscriptions	-	2,207	-	-	6,000
Insurance	-	-	2,395	-	-
Meals and entertainment	6,146	-	-	10	1,046
Copying and printing	6,287	442	-	-	-
Repairs and maintenance	-	-	15,437	-	-
Contract services	5,328	300	13,175	100	1,422
Professional fees	-	-	-	-	-
Donated services	70,730	-	-	1,700	1,400
Marketing and promotion	9,192	938	1,181	751	1,919
Miscellaneous	261	1,511	870	-	-
Bad debt	-	-	-	-	20
Allocation of occupancy costs	6,806	3,271	(24,463)	2,864	5,239
Total expenses before depreciator	<u>190,789</u>	<u>60,576</u>	<u>94,538</u>	<u>84,584</u>	<u>83,906</u>
Depreciation	<u>23</u>	<u>2,697</u>	<u>30,448</u>	<u>217</u>	<u>-</u>
Total expenses	<u>\$ 190,812</u>	<u>\$ 63,273</u>	<u>\$ 124,986</u>	<u>\$ 84,801</u>	<u>\$ 83,906</u>

See notes to financial statements.

		<b>Supporting Services</b>					
<b>WebConnect</b>	<b>Total Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total Supporting Services</b>	<b>Total</b>		
\$ 14,533	\$ 288,275	\$ 52,878	\$ 24,807	\$ 77,685	\$ 365,960		
1,148	22,066	7,834	1,834	9,668	31,734		
533	13,647	3,064	64	3,128	16,775		
16,214	323,988	63,776	26,705	90,481	414,469		
603	6,854	4,628	430	5,058	11,912		
-	4,945	-	-	-	4,945		
763	5,001	217	217	434	5,435		
244	4,293	838	400	1,238	5,531		
-	12,470	-	-	-	12,470		
-	9,010	-	-	-	9,010		
-	19,389	-	-	-	19,389		
-	429	-	-	-	429		
18	1,371	2,439	358	2,797	4,168		
-	8,207	2,291	-	2,291	10,498		
-	2,395	4,231	-	4,231	6,626		
-	7,202	80	60	140	7,342		
17	6,746	655	-	655	7,401		
-	15,437	5,748	-	5,748	21,185		
15,183	35,508	5,224	-	5,224	40,732		
-	-	4,525	1,000	5,525	5,525		
3,000	76,830	24,241	-	24,241	101,071		
1,539	15,520	3,375	-	3,375	18,895		
-	2,642	4,279	-	4,279	6,921		
-	20	1,816	-	1,816	1,836		
624	(5,659)	4,083	1,576	5,659	-		
38,205	552,598	132,446	30,746	163,192	715,790		
-	33,385	9,001	-	9,001	42,386		
\$ 38,205	\$ 585,983	\$ 141,447	\$ 30,746	\$ 172,193	\$ 758,176		

**Nonprofit Enterprise at Work, Inc.**  
**Statement of Cash Flows**  
**For the Years Ended June 30, 2006 and 2005**

	<b>2006</b>	<b>2005</b>
<b>Cash flows provided by operating activities:</b>		
Net increase in net assets	\$ 77,495	\$ 84,394
Adjustments to reconcile change in net asset to net cash provided by operating activities		
Depreciation	55,746	42,386
Loss on disposal of fixed assets	567	-
Bad debt expense	213	1,836
Decrease (increase) in assets:		
Pledges receivable	(14,750)	25,000
Other receivables	(41,206)	4,937
Tenant reimbursements receivable	5,321	(9,033)
Deposits	(2,533)	(596)
Prepaid expenses	163	24
(Decrease) increase in liabilities:		
Accounts payable - trade	15,027	(993)
Refundable advances	325	-
Security deposits payable	156	699
Accrued liabilities	4,340	2,266
Net cash provided by operating activities	<b>100,864</b>	150,920
 <b>Cash flows used in investing activities:</b>		
Purchase of fixed assets	(35,735)	(31,475)
 <b>Cash flows used in financing activities</b>		
Payments on obligation under capital lease	(3,191)	(2,625)
Net increase in cash	<b>61,938</b>	116,820
Cash and cash equivalents - beginning of year	<b>415,765</b>	298,945
<b>Cash and cash equivalents - end of year</b>	<b>\$ 477,703</b>	\$ 415,765

**Non-cash activity:**

During the year ended June 30, 2005, the Organization entered into a capital lease agreement for a copier. The gross amount of the obligation was \$13,749.

*See notes to financial statements.*

**Nonprofit Enterprise at Work, Inc.**  
**Notes to Financial Statements**  
**June 30, 2006 and 2005**

**1. Nature of organization**

Nonprofit Enterprise at Work, Inc. (NEW) is a 501(c)(3) non-profit organization located in Ann Arbor, Michigan whose mission is *to help nonprofits succeed by strengthening nonprofit management and offering solutions to issues facing our nonprofit community*. In 2005-2006, NEW continues to be a management support organization for nonprofits, providing capacity building through education, leadership development, technology support, information resources and office and meeting space. Revenue sources include fees for services, rental income, contributions and grants.

The Organization services consist of the following programs:

Education and Training – the program offers many training and development opportunities for board members, staff, and volunteers to increase the expertise and effectiveness of people working in nonprofit organizations. In the 2006 fiscal year, the program had 1,158 registrations for NEW's *Managing for Nonprofit Excellence* workshop series which represented 819 individuals from 347 organizations and 23 counties. There were 75 volunteer faculty members who shared their expertise with the non-profit community in 115 valuable workshops.

Information Systems – the program provides nonprofits with a variety of online and offline resources, including a free public lending library of nonprofit books and materials, free access to FC Search (an electronic database of all foundations located in the United States), affordable print publications that are available for purchase, an online monthly newsletter for nonprofits, an online directory of Washtenaw County nonprofits, and an online directory of local consultants for nonprofits. In the 2006 fiscal year, the Borders Group Nonprofit Resource Library served 324 individuals from 172 different organizations. Over 760 books were checked out and innumerable requests for information were handled by phone and e-mail. The *NEWSNOTES* subscriber list grew to over 800 and 385 organizations populated the online *Directory of Nonprofits*.

ResourceConnect – is a one-stop online directory with hundreds of resources specifically for nonprofits. This easy-to-use, searchable database gives the user access to service providers, websites, and print resources to meet a wide range of organizational management needs. The online database of resources for nonprofits was accessed an average of 8,200 times per month – an increase of 86% over the previous year.

Building Management – the program provides affordable office space and shared resources for nonprofit tenants, plus affordable meeting space for any nonprofit organization. The NEW Center closed the 2006 fiscal year with 18 tenant organizations and two affiliates. Tenants made regular use of the conference rooms, and 975 people attended meetings held by 97 external organizations.

Nonprofit Navigator – a new pilot program that provides up to 18 months of comprehensive, in-depth organizational coaching and mentoring to select nonprofits. The program continued working with the three organizations originally chosen for the program last year. In the 2006 fiscal year, they held assessments and used their strengths to develop plans for long-term organizational effectiveness.

BoardConnect – the program recruits and trains potential nonprofit board members, and then helps match their individuals to participating nonprofit organizations. BoardConnect also provides training and guidance to existing nonprofit boards. In the 2006 fiscal year, the program's services touched 110 different organizations. Nonprofits found 44 new board members through the matching program and 191 individuals were trained in the duties of board service. Onsite board trainings were presented to 27 different organizations, serving 430 individuals.

**Nonprofit Enterprise at Work, Inc.**  
**Notes to Financial Statements**  
**June 30, 2006 and 2005**

1. **Nature of organization** – (continued)

WebConnect – the program provides affordable and professional web-related services to nonprofits. The services include low cost web development, Access database assistance, web-site maintenance, and internet education and training. The program aided nine organizations to develop and/or maintain effective websites. In the 2006 fiscal year, the CommunityGrants.org initiative trained and provided hands-on support for 132 individuals from 74 different organizations.

2. **Summary of significant accounting policies**

**Basis of accounting:**

The financial statements are prepared on the accrual basis of accounting.

**Display of net assets by class:**

The net assets of the Organization are reported in each of the following three classes: (a) unrestricted net assets, (b) temporarily restricted net assets, and (c) permanently restricted net assets.

Net assets of the two restricted classes are created only by donor-imposed purpose or time restrictions on their use. All other net assets, including board-designated or appropriated amounts, are legally unrestricted, and are reported as part of the unrestricted class.

The Organization's temporarily restricted net assets are further classified for display purposes as follows:

Operations – restricted for (a) designated operating activities, or (b) use in specified future period, but otherwise unrestricted.

Fixed assets – restricted for (a) use by designated activities related to the Organization, (b) the acquisition of long-lived assets, or (c) use in a specified future period.

The Organization does not have any permanently restricted net assets.

**Accounts receivable:**

Accounts receivable are stated at invoice amounts. All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period that determination is made.

All allowance for uncollectible accounts was established in the amount of \$2,000 and \$0 for the years ended June 30 2006 and 2005, respectively.

**Property and equipment:**

Property and equipment are stated at cost if purchased or fair value if donated. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from 5 to 40 years.

**Pledges receivable:**

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

**Nonprofit Enterprise at Work, Inc.**  
**Notes to Financial Statements**  
**June 30, 2006 and 2005**

2. **Summary of significant accounting policies** – (continued)

Income taxes:

The Organization is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code. The Internal Revenue Service has classified the Organization as other than a private foundation.

Use of estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Recognition of donor restrictions:

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor restricted support is reported as an increase in temporarily restricted net assets. When a restriction expires or is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets.

Donated materials and services:

The Organization records the value of donated goods as contributions using estimated fair values at the date of receipt. For the year ended June 30, 2006 and 2005, donated supplies totaling \$8,019 and \$10,259, respectively, were recognized in the unrestricted class of net assets.

Contributions of donated services that create or enhance non-financial assets or that require specialized skills and would typically need to be purchased, if not provided by donation, are recorded at their fair values in the period received. For the year ended June 30, 2006 and 2005 contributed services of \$143,056 and \$101,071, respectively, were recognized in the unrestricted net asset class.

Statement of cash flows:

The Organization considers all highly liquid investments with an initial maturity of 90 days or less as cash and cash equivalents for the statement of cash flows.

Functional allocation of expenses:

The costs of providing the program and support services have been reported on a functional basis in the statement of activities and changes in net assets. Indirect costs have been allocated between the various programs and support services based on estimates, as determined by management. Although the methods of allocation used are considered reasonable, other methods could be used that would produce a different amount.

3. **Operating leases**

The Organization, as lessor, has entered into operating leases with non-profit organizations that occupy the facility. The facility's cost and carrying amount is \$863,547 and \$581,115, respectively. The leases are from one to two years. Future minimum lease payments, in total and for the fiscal years ending June 30, for which leases have been negotiated, are as follows:

2007	\$109,093
2008	<u>41,387</u>
	<u>\$150,480</u>

**Nonprofit Enterprise at Work, Inc.**  
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**June 30, 2006 and 2005**

**4. Line of credit**

The Organization has a \$150,000 line of credit available with a bank at an interest rate equal to the “prime rate” for an 11-month period, beginning March 1, 2006. The line of credit is unsecured. At June 30, 2006 and 2005, there was no outstanding balance on the line of credit.

Of the \$150,000 line of credit, \$13,568 is reserved as a letter of credit necessary for the Organization’s workers’ and unemployment compensation agreement with the State of Michigan.

**5. Deferred compensation plan**

The Organization maintains a deferred compensation plan under Section 403(b) of the Internal Revenue Code. Participants may make voluntary contributions to the plan up to 20% of their compensation.

**6. Pledges receivable**

Pledges receivable represent unconditional commitments from individuals for pledges related to the capital campaign for the NEW Center Building Fund. No allowance for uncollectible or discount amount has been deemed necessary. As of June 30, 2006 and 2005, pledged receivables are \$14,750 and \$0, respectively. The pledges at June 30, 2006 are expected to be received as follows: 2007 - \$3,950; 2008 – \$3,700; 2009 - \$3,700; 2010 - \$3,200; and 2011 - \$200.

**7. Conditional pledges**

The Organization also receives conditional pledges related to the “Partnership Program”. Due to the nature of the pledges, they have been excluded from pledges receivable and will be recognized as revenue in the period in which the conditions are met. Conditional pledges as of June 30, 2006 and 2005 are \$250,000 and \$300,000, respectively.

**8. Obligation under capital lease**

During the year ended June 30, 2005, the Organization financed the acquisition of a copier with a capital lease payable. The monthly payment is \$358. The capitalized lease is secured by the equipment purchased. The amortization of the capital lease is included in depreciation expense.

The following is a schedule by years of future minimum lease payments required under the capital leases as of June 30, 2006:

Year Ending <u>June 30</u>	Future Minimum <u>Lease Payments</u>
2007	\$ 4,296
2008	4,296
2009	<u>358</u>
Total future minimum payments	8,950
Less: interest	<u>(1,016)</u>
Net obligations under capital lease	<u><u>\$ 7,934</u></u>



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8. **Obligation under capital lease** – (continued)

Interest expense of \$1,105 and \$1,314 was incurred on the capital lease obligation in 2006 and 2005, respectively.

9. **Reclassifications**

Prior year amounts on the financial statements may have been reclassified to agree with the current year's presentation

10. **Net asset restatement**

Refundable advances before the restatement represented funds received that were to be returned to the donor had they not been fully spent. Due to a change in the interpretations of the nonprofit guidelines, a deferral of such revenue is not appropriate. During the current year, temporarily restricted net assets were restated to recognize such revenue and temporarily restrict any unspent funds.

	<u>Operations</u>		<u>Fixed Assets</u>	<u>Total</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Temporarily Restricted</u>	
6/30/04 net assets as originally stated	\$235,595	\$ 25,000	\$694,547	\$955,142
Excess of earnings over distributions – reclassified	-	32,770	-	32,770
6/30/04 net assets as restated	<u>\$235,595</u>	<u>\$ 57,770</u>	<u>\$694,547</u>	<u>\$987,912</u>